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Montana. Public Employees
Retirement Board.
Annual financial
report

Montana



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Public Employees Retirement Board

1991 Annual Financial Report





STATE OF MONTANA
PUBLIC EMPLOYEES'
RETIREMENT BOARD

1991

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 1991

Public Employees' Retirement System

Municipal Police Officers' Retirement System

Game Wardens' Retirement System

Sheriffs' Retirement System

Judges' Retirement System

Highway Patrol Officers' Retirement System

Firefighters' Unified Retirement System

Volunteer Firefighters' Compensation Act

Social Security Program

Prepared by
The State of Montana
Public Employees' Retirement Division
1712 Ninth Ave
Helena, MT 59620-0131

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DEPARTMENT OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT DIVISION

STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-3154

1712 9TH AVENUE  
HELENA, MONTANA 59620-0131

December 10, 1991

The Honorable Stan Stephens  
Governor of Montana  
State Capitol  
Helena, MT 59620

Dear Governor Stephens:

In accordance with 19-3-306, MCA, the Public Employees' Retirement Board is pleased to submit to you the Annual Report of the Public Employees' Retirement Division for the fiscal year ended June 30, 1991.

The report of the 46th year of operation of the Public Employees' Retirement System is being presented with the Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers' and Firefighters' Unified Retirement Systems and the Volunteer Firefighters' Compensation Act.

During this fiscal year (1990-91), the combined assets of the eight systems has increased to over one billion dollars. The seven retirement systems are actuarially funded.

The Public Employees' Retirement Board is proud of the performance of the staff of the Public Employees' Retirement Division and appreciates the cooperation extended to the staff and board by the Governor, the Legislature and officials from state and local governments.

Respectfully submitted,

*Lawrence P. Nachtsheim*  
Lawrence P. Nachtsheim, Administrator  
Public Employees' Retirement Division



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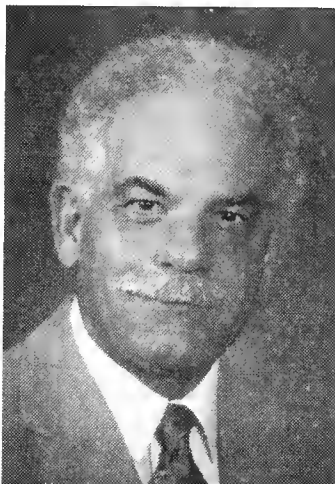




# PUBLIC EMPLOYEES RETIREMENT BOARD



***E. J. McGreevey***  
Vice President  
Anaconda  
Term exp. 1991



***Robert L. Batista***  
President  
Great Falls  
Term exp. 1992



***Troy McGee***  
Helena  
Term exp. 1993



***Mona Jamison***  
Helena  
Term exp. 1993

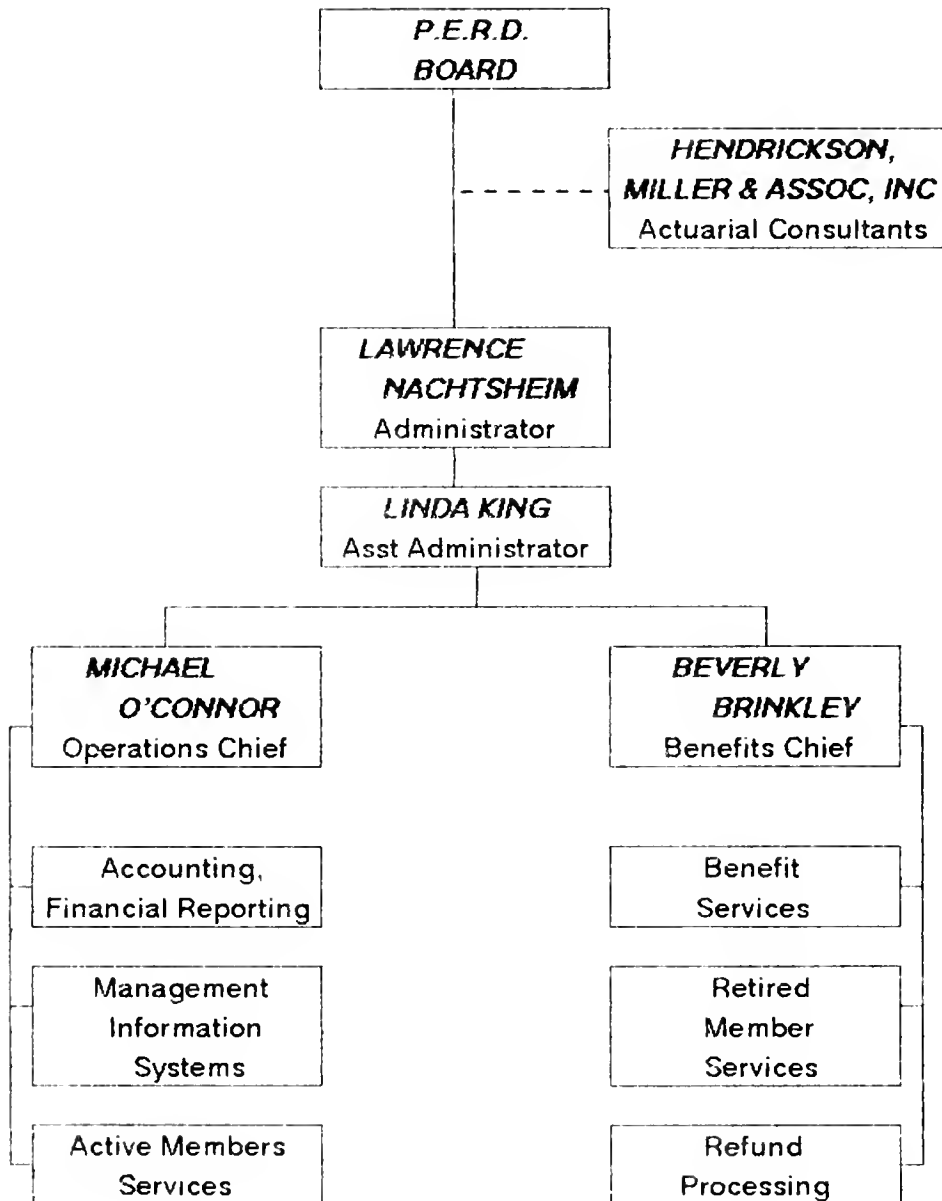


***Dwight MacKay***  
Billings  
Term exp. 1994



***Terry Teichrow***  
Helena  
Term exp. 1995

**PUBLIC EMPLOYEES'  
RETIREMENT DIVISION  
ORGANIZATIONAL CHART**



**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**INTRODUCTION**

**PLAN HISTORY AND SERVICES PROVIDED**

The Public Employees' Retirement Board administers eight separate retirement systems with combined assets of over one billion dollars and membership of over 28,000. During fiscal year 1991, monthly benefits totalling \$68,145,926 were paid to 12,149 retirees and their beneficiaries as compared to \$63,274,817 paid to 11,749 recipients in fiscal year 1990.

Responsibility for operation of the systems and the direction of its policies rests with the Public Employees' Retirement Board consisting of six members appointed by the Governor to five-year staggered terms. Administrative policies and procedures are designed to ensure accurate accounting of the funds detailed in this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the systems. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the systems.

**Revenues**

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. These income sources totalled \$174,014,428 during fiscal year 1991.

|                | 1991              | 1990              | Increase         |
|----------------|-------------------|-------------------|------------------|
| Contributions: |                   |                   |                  |
| Member         | 35,667,849        | 35,519,769        | 148,080          |
| Employer       | 36,263,009        | 35,291,936        | 971,073          |
| State          | 6,719,515         | 6,663,433         | 56,082           |
| Investments    | <u>95,364,055</u> | <u>91,916,278</u> | <u>3,447,777</u> |
| Total Revenue  | 174,014,428       | 169,391,416       | 4,623,012        |

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**INTRODUCTION**

**EXPENSES**

The primary expenses of the systems include the payment of benefits to members and beneficiaries, the refund of contributions to former members, the cost of administering the retirement systems, and investment expenses.

|                     | 1991           | 1990           | Increase/(Decrease) |
|---------------------|----------------|----------------|---------------------|
| Benefit Payments    | 68,145,926     | 63,274,817     | 4,871,109           |
| Refunds:            |                |                |                     |
| Employee            | 10,235,253     | 10,854,575     | (619,322)           |
| Employer            | 436,973        | 560,684        | (123,711)           |
| Administration      | 863,181        | 915,756        | ( 52,575)           |
| Investment expenses | <u>219,578</u> | <u>223,513</u> | <u>( 3,935)</u>     |
|                     | 79,900,911     | 75,829,345     | 4,071,566           |

**FUNDING**

Funds derived from the excess of revenues over expenses are accumulated by the systems in order to meet future benefit obligations to retirees and beneficiaries. Proper funding includes an actuarial review of the retirement systems to ensure that funds will be available for current and future benefit payments. See the Actuarial Section for actuarial assumptions and pension disclosure information for each system.

**PROFESSIONAL SERVICES**

Professional actuarial services are provided by Hendrickson, Miller & Associates, actuarial consultants selected by the Public Employees' Retirement Board. All trust fund investments are managed by the Board of Investments. The Treasury Bureau of the Department of Administration is custodian of the retirement funds. Legal counsel for the Public Employees' Retirement Board is provided by the Attorney General through the legal staff of the Department of Administration.

**ACKNOWLEDGEMENTS**

The preparation of this report reflects the combined efforts of the Public Employees' Retirement Division staff under the direction of the Retirement Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with the law, and responsible stewardship over the assets contributed by the members and their employers.

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**1991 LEGISLATIVE HIGHLIGHTS**

The 1991 legislature considered 44 bills, following is highlights of that legislation. While most of the statutes become effective July 1, 1991, a few became effective during the 1991 fiscal year.

**Tax Changes.** As of January 1, 1991, public pension benefits above \$3600/year are taxable for state income tax purposes. The exclusion is reduced \$2 for each \$1 a taxpayer's federal AGI exceeds \$30,000. An annual lump-sum benefit payment will be made to Montana public retirees who are Montana residents.

**Public Employees' Retirement System.** Federal amendments to the Age Discrimination Act required enactment of new disability retirement provisions for persons who became PERS members after February 24, 1991. Those who were PERS members on that date may make a one-time, irrevocable election to be covered under the new provisions. New disability benefits will be exactly equal to service retirement benefits (no actuarial reduction), regardless of their age; however, there is no minimum benefit (25% of FAS) as in the former disability statutes.

PERS retirees were freed from hourly limitations on returning to PERS covered employment after retirement. Retirees may now return for unlimited periods without becoming active members; however, those who work more than 600 hours in a calendar year for a PERS-covered employer will have their benefits reduced \$1 for each \$1 earned. Retirees over 65 may work 600 hours, or earn up to 1/2 their annual benefit, prior to having their benefits reduced.

**Judges' Retirement System.** A retirement formula increase enacted by the 1989 Legislature became law on July 1, 1991. Members who retire with more than 15 years service after July 1, 1991 will receive higher retirement benefits. Members' contributions to the JRS are tax-deferred as of July 1, 1991.

**Highway Patrol Officers' Retirement System.** Retirement benefits were substantially increased. Pensions for those retiring after July 1, 1991 will be increased (from 2%) to 2.5% of Final Average Salary per year of service. For those retired before July 1, 1991, an annual lump sum supplemental benefit (averaging approximately \$2,000 in 1991) will be paid to eligible recipients.

**Sheriffs' Retirement System.** Members may purchase an additional year of service for each 5 years of membership service, up to a maximum of 5 additional years. The retirement formula was increased so that retirees receive half-pay in 24 (rather than 25) years. The service requirement for involuntary retirement was decreased to 5 years (from 10 years) of service.

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**1991 LEGISLATIVE HIGHLIGHTS**  
(continued)

**Municipal Police Officers' Retirement System.** Members of the MPORS are now vested after 10 years of service with the system. After vesting, a member may terminate covered employment and be eligible for a service retirement benefit at any point after 20 years of membership service (regardless of age). Supplemental benefits were standardized for all retirees.

**Firefighters' Unified Retirement System.** Disability benefits are now based on the member's final monthly compensation, regardless of date of hire.

**Volunteer Firefighters' Compensation Act.** Benefits for full retirement were set at \$120/month (with partial retirement benefits paid proportionally). The Public Employees' Retirement Board will study the sufficiency of the trust fund to sustain this level of benefits.

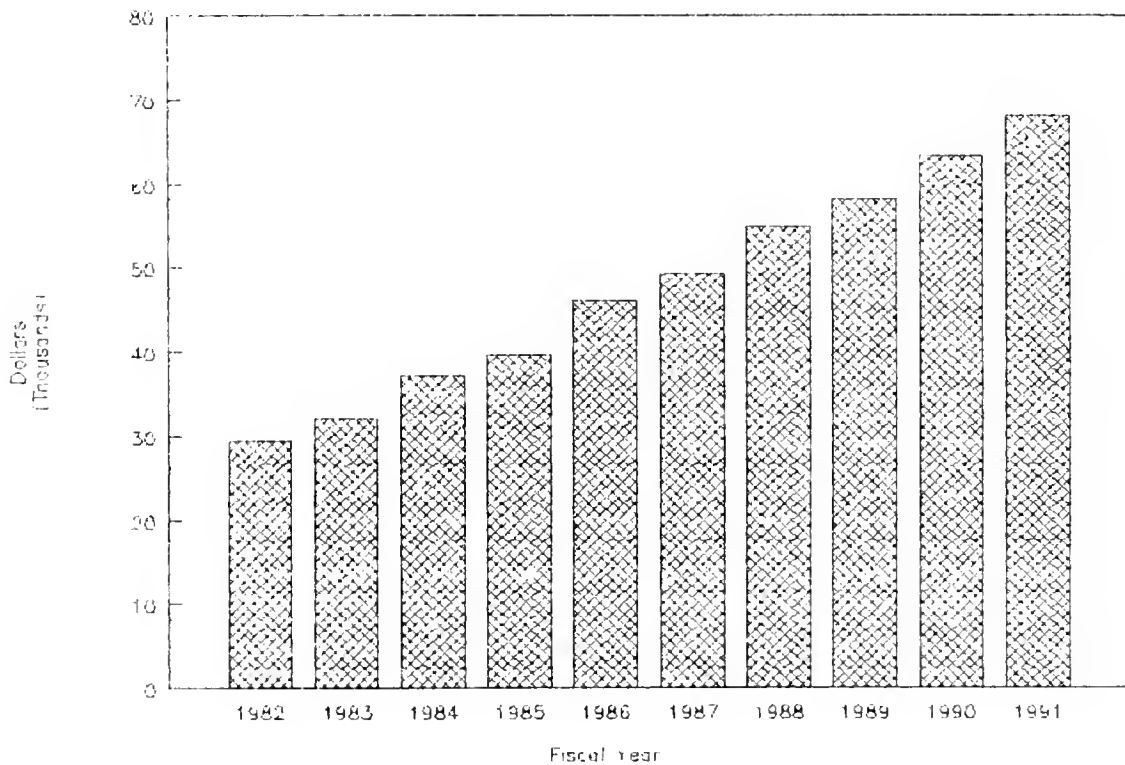
**Refunds.** All terminating members, regardless of system or years of service may request a refund of all individual contributions including accrued interest. A member who is vested in any system may choose to receive a deferred allowance under the provisions of the system provided he has left his accumulated contributions on deposit with the system.

# COMPARATIVE SUMMARY OF PENSION PAYMENTS

(By Fiscal Year)

(In thousands of dollars)

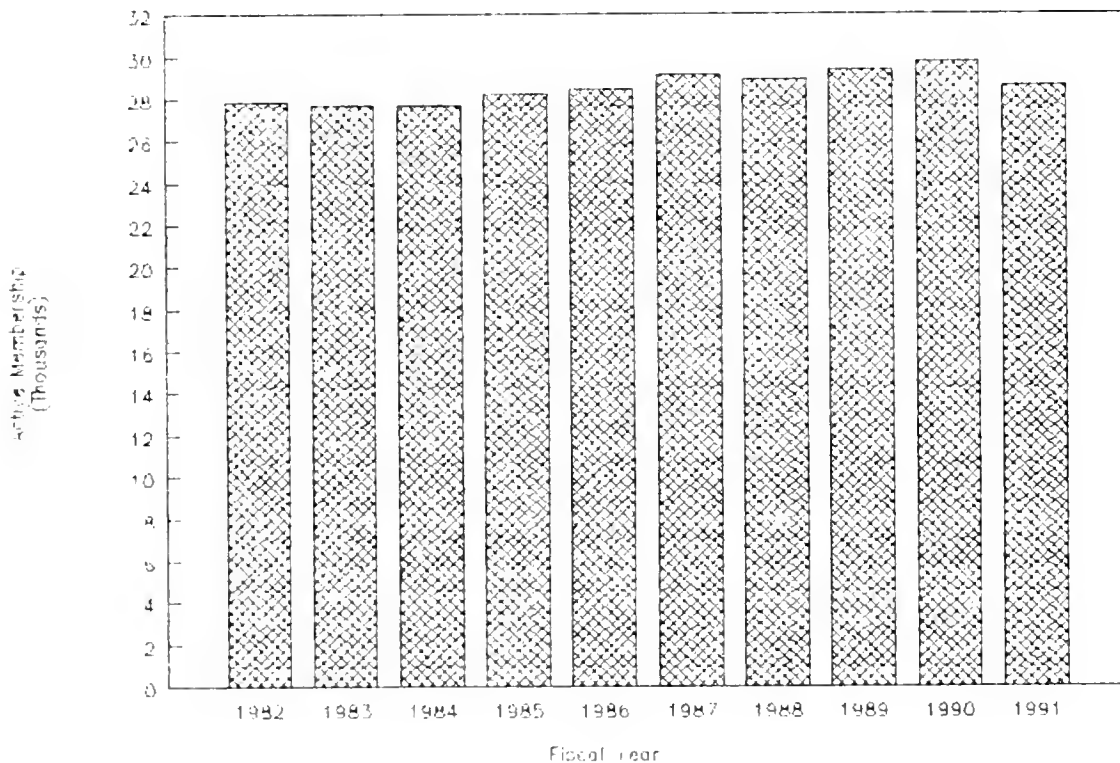
|              | <u>1982</u>   | <u>1983</u>   | <u>1984</u>   | <u>1985</u>   | <u>1986</u>   | <u>1987</u>   | <u>1988</u>   | <u>1989</u>   | <u>1990</u>   | <u>1991</u>   |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| PERS         | 23,068        | 25,036        | 29,135        | 31,238        | 36,596        | 39,092        | 43,899        | 46,270        | 50,541        | 54,154        |
| MPORS        | 2,460         | 2,743         | 2,926         | 3,151         | 3,464         | 3,697         | 3,990         | 4,273         | 4,638         | 4,843         |
| GWRS         | 222           | 278           | 299           | 301           | 383           | 409           | 432           | 545           | 685           | 717           |
| SRS          | 184           | 205           | 223           | 242           | 306           | 384           | 440           | 466           | 565           | 729           |
| JRS          | 234           | 329           | 410           | 417           | 437           | 436           | 447           | 471           | 568           | 574           |
| HPORS        | 715           | 753           | 806           | 843           | 974           | 1,159         | 1,388         | 1,561         | 1,698         | 1,897         |
| FURS         | 2,546         | 2,748         | 2,996         | 3,217         | 3,485         | 3,730         | 4,013         | 3,997         | 4,213         | 4,494         |
| VFCA         |               |               | 401           | 268           | 508           | 502           | 328           | 688           | 366           | 737           |
| <b>TOTAL</b> | <b>29,429</b> | <b>32,092</b> | <b>37,196</b> | <b>39,677</b> | <b>46,153</b> | <b>49,409</b> | <b>54,937</b> | <b>58,271</b> | <b>63,274</b> | <b>68,145</b> |



# COMPARATIVE SUMMARY OF ACTIVE MEMBERSHIP

(By Fiscal Year)

|              | <u>1982</u>   | <u>1983</u>   | <u>1984</u>   | <u>1985</u>   | <u>1986</u>   | <u>1987</u>   | <u>1988</u>   | <u>1989</u>   | <u>1990</u>   | <u>1991</u>   |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| PERS         | 26,061        | 25,857        | 26,026        | 26,520        | 26,767        | 27,418        | 27,191        | 27,614        | 28,017        | <b>26,908</b> |
| MPORS        | 434           | 445           | 435           | 436           | 436           | 436           | 427           | 434           | 441           | <b>445</b>    |
| GWRS         | 90            | 97            | 85            | 85            | 85            | 84            | 86            | 80            | 89            | <b>92</b>     |
| SRS          | 575           | 584           | 537           | 539           | 541           | 530           | 509           | 523           | 522           | <b>525</b>    |
| JRS          | 37            | 40            | 41            | 42            | 42            | 42            | 42            | 44            | 43            | <b>43</b>     |
| HPORS        | 204           | 219           | 197           | 198           | 201           | 194           | 187           | 190           | 199           | <b>203</b>    |
| FURS         | 454           | 451           | 395           | 398           | 403           | 442           | 429           | 431           | 430           | <b>416</b>    |
| <b>TOTAL</b> | <b>27,855</b> | <b>27,693</b> | <b>27,716</b> | <b>28,218</b> | <b>28,475</b> | <b>29,146</b> | <b>28,871</b> | <b>29,316</b> | <b>29,741</b> | <b>28,632</b> |











# *Financial Section*



**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT DIVISION**

**ADMINISTRATIVE EXPENSES**

**FOR FISCAL YEAR ENDED JUNE 30, 1991**

**PERSONAL SERVICES:**

|                                |                |
|--------------------------------|----------------|
| Salaries                       | \$407,596      |
| Per Diem Board Members         | 1,350          |
| Employee Benefits              | 95,290         |
| <b>Total Personal Services</b> | <b>504,236</b> |

**CONTRACTED SERVICES:**

|                                  |                |
|----------------------------------|----------------|
| Actuarial Services               | 24,720         |
| Janitorial                       | 1,620          |
| Legal Fees and Court Costs       | 18,977         |
| Payroll and Audit Fees           | 21,985         |
| Medical Services                 | 7,540          |
| Microfilming                     | 7,041          |
| Records Storage                  | 2,213          |
| Retirement Seminars              | 3,000          |
| Computer Processing              | 47,828         |
| Systems Development              | 88,526         |
| Printing and Photocopy Pool      | 14,765         |
| Other                            | 8,448          |
| <b>Total Contracted Services</b> | <b>246,663</b> |

**COMMUNICATIONS:**

|                             |               |
|-----------------------------|---------------|
| Postage and Mailing         | 42,628        |
| Telephone                   | 9,165         |
| <b>Total Communications</b> | <b>51,793</b> |

**OTHER EXPENSES:**

|                             |               |
|-----------------------------|---------------|
| Supplies and Materials      | 11,215        |
| Travel                      | 6,757         |
| Rent                        | 11,730        |
| Utilities                   | 4,864         |
| Repair and Maintenance      | 4,157         |
| Depreciation/Amortization   | 10,987        |
| Compensated Absences        | 3,743         |
| Equipment                   | 3,898         |
| Prior Year Adjustments      | 983           |
| Miscellaneous               | 2,155         |
| <b>Total Other Expenses</b> | <b>60,489</b> |

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>TOTAL ADMINISTRATIVE EXPENSES</b> | <b><u>\$863,181</u></b> |
|--------------------------------------|-------------------------|

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**COMBINED BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                                        |                        |
|----------------------------------------|------------------------|
| Cash In Treasury                       | \$210,670              |
| Interest Receivable                    | 19,480,951             |
| Accounts Receivable                    | 10,356,382             |
| Prepaid Expenses                       | 1,860                  |
| Corporate Securities                   | 607,236,261            |
| U.S. Government Securities             | 100,139,599            |
| Canadian Securities                    | 30,797,051             |
| Mortgages (less Mortgage Discount)     | 68,085,068             |
| Short Term Investment Pool             | 77,961,900             |
| Common Stock                           | 154,546,812            |
| Preferred Stock                        | 2,513,973              |
| Equipment (less Depreciation)          | 62,546                 |
| Intangible Assets                      | 1,961                  |
| Land and Buildings (less Depreciation) | 117,225                |
| Leveraged Buy-Outs                     | 12,968,010             |
| Venture Capital                        | 3,621,170              |
| Deferred Gains and Losses              | 7,965,184              |
| <b>Total Assets</b>                    | <b>\$1,096,066,623</b> |

**LIABILITIES**

|                                          |                        |
|------------------------------------------|------------------------|
| Accounts Payable                         | \$1,887,331            |
| Deferred Revenue                         | 1,366                  |
| Compensated Absences                     | 56,271                 |
| <b>Net Assets Available For Benefits</b> | <b>\$1,094,121,655</b> |

**FUND BALANCE**

|                                    |                        |
|------------------------------------|------------------------|
| Annuity Savings Reserve            | \$236,379,984          |
| Annuity Savings Interest Reserve   | 135,295,268            |
| Pension Accumulation Reserve       | 721,646,761            |
| Post Retirement Adjustment Reserve | 799,642                |
| <b>Total Fund Balance</b>          | <b>\$1,094,121,655</b> |

**MEMO ENTRY ONLY**

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**COMBINED STATEMENT OF  
REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

| <b>REVENUES</b>                         | <b>1991</b>            | <b>1990</b>          |
|-----------------------------------------|------------------------|----------------------|
| Retirement Contributions                |                        |                      |
| Member                                  | \$35,667,849           | \$35,519,769         |
| Employer                                | 36,263,009             | 35,291,936           |
| State                                   | 6,719,515              | 6,663,433            |
| Interest Reserve Buyback                | 82,356                 | 77,018               |
| Late Report Penalty                     | 381                    | 200                  |
| Membership Fees                         | 26,718                 | 24,908               |
| Investment Income                       | 85,515,477             | 83,587,758           |
| Rental Receipts                         | 23,250                 | 23,250               |
| Common Stock Dividends                  | 9,825,328              | 8,305,270            |
| Registration Fees                       | 247,625                | 205,572              |
| License Fee Collections                 | 531,295                | 605,896              |
| Fines and Forfeitures                   | 295,346                | 207,232              |
| Court Fees                              | 556,251                | 546,411              |
| City Held Investments                   | 4,236                  | 9,576                |
| <b>Total Revenues</b>                   | <b>\$175,758,636</b>   | <b>\$171,068,229</b> |
| <b>EXPENSES</b>                         |                        |                      |
| Benefit Payments                        | \$68,145,926           | \$63,274,817         |
| Refund of Member Contributions          | 7,764,909              | 8,198,341            |
| Interest On Refunds                     | 2,470,344              | 2,656,234            |
| Supplemental Insurance Benefits         | 20,550                 | 20,325               |
| Medical Insurance Payments              | 1,586                  | 0                    |
| Employer Refund                         | 436,973                | 560,684              |
| Investment Expense                      | 219,578                | 223,513              |
| Rent Expense                            | 7,214                  | 3,032                |
| Administrative Expense                  | 863,181                | 915,756              |
| <b>Total Expenses</b>                   | <b>\$79,930,261</b>    | <b>\$75,852,702</b>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                        |                      |
| Admin Fee Transfer In                   | \$0                    | \$61,120             |
| Capitalize Equipment                    | 681                    | 3,425                |
| Prior Year Adjustments                  | (1,074,750)            | (34,421)             |
| Excess Of Revenues Over Expenses        | 94,754,306             | 95,245,651           |
| Fund Balance Beginning Of Year          | 999,367,349            | 904,121,698          |
| <b>Fund Balance End Of Year</b>         | <b>\$1,094,121,655</b> | <b>\$999,367,349</b> |

**MEMO ENTRY ONLY**





## **PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

***CONTRIBUTION RATES***

***MEMBERSHIP***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ANALYSIS OF FUNDING PROCESS***

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                                        |                      |
|----------------------------------------|----------------------|
| Cash In Treasury                       | \$19,711             |
| Interest Receivable                    | 16,454,622           |
| Accounts Receivable                    | 2,212,441            |
| Prepaid Expenses                       | 1,860                |
| Corporate Securities                   | 515,849,247          |
| U.S. Government Securities             | 70,822,017           |
| Canadian Securities                    | 24,898,453           |
| Mortgages (less Mortgage Discount)     | 68,063,057           |
| Short Term Investment Pool             | 67,416,400           |
| Common Stock                           | 131,135,129          |
| Preferred Stock                        | 2,468,473            |
| Equipment (less Depreciation)          | 62,546               |
| Intangible Assets                      | 1,961                |
| Land and Buildings (less Depreciation) | 117,225              |
| Leveraged Buy-Outs                     | 10,989,840           |
| Venture Capital                        | 3,744,732            |
| Deferred Gains and Losses              | 7,088,721            |
| <b>Total Assets</b>                    | <b>\$921,346,435</b> |

**LIABILITIES**

|                                          |                      |
|------------------------------------------|----------------------|
| Accounts Payable                         | 1,814,604            |
| Deferred Revenue                         | 1,183                |
| Compensated Absences                     | 56,271               |
| <b>Net Assets Available For Benefits</b> | <b>\$919,474,377</b> |

**FUND BALANCE**

|                                    |                      |
|------------------------------------|----------------------|
| Annuity Savings Reserve            | \$212,604,106        |
| Annuity Savings Interest Reserve   | 121,421,704          |
| Pension Accumulation Reserve       | 584,678,093          |
| Post Retirement Adjustment Reserve | 770,474              |
| <b>Total Fund Balance</b>          | <b>\$919,474,377</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

| <b>REVENUES</b>                         | <b>1991</b>          | <b>1990</b>          |
|-----------------------------------------|----------------------|----------------------|
| Retirement Contributions                |                      |                      |
| Member                                  | \$32,470,880         | \$32,512,846         |
| Employer                                | 31,212,844           | 30,443,560           |
| Interest Reserve Buyback                | 57,420               | 44,544               |
| Late Report Penalty                     | 381                  | 200                  |
| Membership Fees                         | 26,718               | 24,908               |
| Investment Income                       | 71,933,087           | 70,435,088           |
| Rental Receipts                         | 23,250               | 23,250               |
| Common Stock Dividends                  | 8,672,397            | 7,465,805            |
| <b>Total Revenues</b>                   | <b>\$144,396,977</b> | <b>\$140,950,202</b> |
| <b>EXPENSES</b>                         |                      |                      |
| Benefit Payments                        | \$54,154,119         | \$50,541,097         |
| Refund of Member Contributions          | 7,246,217            | 7,647,853            |
| Interest On Refunds                     | 2,295,905            | 2,445,587            |
| Employer Refund                         | 401,236              | 503,958              |
| Investment Expense                      | 201,534              | 204,818              |
| Rent Expense                            | 7,214                | 7,442                |
| Administrative Expense                  | 791,808              | 788,166              |
| <b>Total Expenses</b>                   | <b>\$65,098,033</b>  | <b>\$62,138,921</b>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                      |                      |
| Capitalize Equipment                    | 680                  | 3,425                |
| Prior Year Adjustments                  | (825,149)            | 32,528               |
| Excess Of Revenues Over Expenses        | 78,474,475           | 78,847,234           |
| Fund Balance Beginning Of Year          | 840,999,902          | 762,152,668          |
| <b>Fund Balance End Of Year</b>         | <b>\$919,474,377</b> | <b>\$840,999,902</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

Excess Revenues Over Expenses \$78,474,475

Items Not Requiring Resources Currently:

Depreciations/Amortization Expense 15,576

Prior Year Adjustment (14,290)

**Total Resources Provided \$78,475,761**

**RESOURCES USED BY:**

Current Year Acquisition Of Equipment \$681

Net Increase In Working Capital 78,475,080

**Total Resources Used \$78,475,761**

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | YEAR ENDED JUNE 30   |                      | INCREASE            |
|----------------------------------|----------------------|----------------------|---------------------|
|                                  | 1991                 | 1990                 | (DECREASE)          |
| <b>CURRENT ASSETS:</b>           |                      |                      |                     |
| Cash                             | \$19,711             | \$1,985,500          | (\$1,965,789)       |
| Accrued Interest                 | 16,454,622           | 16,971,664           | (\$517,042)         |
| Accrued Contributions            | 2,212,441            | 3,744,789            | (\$1,532,348)       |
| Prepaid Expense                  | 1,860                | 0                    | \$1,860             |
| Corporate Securities             | 515,972,810          | 504,471,471          | \$11,501,339        |
| U.S. Government Securities       | 70,822,017           | 67,762,335           | \$3,059,682         |
| Canadian Securities              | 24,898,453           | 25,024,297           | (\$125,844)         |
| Mortgages (less Discount)        | 68,063,057           | 64,509,859           | \$3,553,198         |
| Short Term Investment Pool       | 67,416,400           | 43,764,300           | \$23,652,100        |
| Common Stock                     | 131,135,129          | 87,868,435           | \$43,266,694        |
| Preferred Stock                  | 2,468,473            | 1,793,587            | \$674,886           |
| Leveraged Buy-Outs               | 10,989,840           | 11,546,340           | (\$556,500)         |
| Venture Capital                  | 3,621,170            | 2,325,374            | \$1,295,796         |
| Deferred Gains and Losses        | 7,088,720            | 9,727,865            | (\$2,639,145)       |
| <b>Total Current Assets</b>      | <b>\$921,164,703</b> | <b>\$841,495,816</b> | <b>\$79,668,887</b> |
| <b>CURRENT LIABILITIES:</b>      |                      |                      |                     |
| Accrued Expenses                 | 1,814,604            | 624,442              | 1,190,162           |
| Deferred Revenue                 | 1,183                | 1,281                | (98)                |
| Compensated Absences             | 56,271               | 52,528               | 3,743               |
| <b>Total Current Liabilities</b> | <b>\$1,872,058</b>   | <b>\$678,251</b>     | <b>\$1,193,807</b>  |
| <b>WORKING CAPITAL</b>           | <b>\$919,292,645</b> | <b>\$840,817,565</b> | <b>\$78,475,080</b> |

The notes to the financial statements are an integral part of this statement

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Public Employees' Retirement System (PERS) is a statewide defined benefit retirement plan established in 1945 for employees of the State, local governments and non-certified school district employees. The PERS is a multiple-employer, cost-sharing plan.

**Membership Data**

| <u>Employers</u>                    | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|-------------------------------------|----------------------|----------------------|
| State                               | 55                   | 56                   |
| Counties                            | 55                   | 55                   |
| Cities/Towns                        | 84                   | 84                   |
| Colleges/Universities               | 6                    | 6                    |
| School Districts                    | 221                  | 208                  |
| Other                               | <u>66</u>            | <u>66</u>            |
| Total                               | <u>487</u>           | <u>475</u>           |
| <u>Members</u>                      |                      |                      |
| <b>Active</b>                       |                      |                      |
| State                               | 10,707               | 11,070               |
| Counties                            | 5,150                | 5,412                |
| Cities/Towns                        | 2,471                | 2,501                |
| Colleges/Universities               | 2,293                | 2,354                |
| School Districts                    | 5,475                | 5,858                |
| Other                               | <u>812</u>           | <u>822</u>           |
| Total                               | <u>26,908</u>        | <u>28,017</u>        |
| <b>Inactive</b>                     |                      |                      |
| Vested                              | 927                  | 466                  |
| Non-vested                          | <u>4,504</u>         | <u>5,852</u>         |
| Total                               | <u>5,431</u>         | <u>6,318</u>         |
| <b>Retirees &amp; beneficiaries</b> |                      |                      |
| Retirees                            | 9,395                | 9,044                |
| Disabilities                        | 810                  | 821                  |
| Survivors                           | <u>224</u>           | <u>221</u>           |
| Total                               | <u>10,429</u>        | <u>10,086</u>        |

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. Plan Benefits**

a. Pension Benefits

A member may retire with a regular service retirement benefit after both completing at least five years of credited service and attaining the minimum service retirement age of 60, or after having attained 30 years of service, regardless of age, or after reaching age 65 while an active member, regardless of years of service. The retirement benefit, payable monthly for life, is calculated on the following formula:

$1/56 \times \text{Years of Service} \times \text{Final Average Salary}$   
(which is equal to 1.7857% of FAS per year of service).

Final average salary is the average of the member's gross pay during the 36 consecutive months of credited service producing the highest monthly average.

A member may retire with an early retirement benefit (computed in the same manner but reduced to reflect the earlier retirement) after either completing at least five years' credited service and attaining age 50, or 25 years of service, regardless of age.

Immediately prior to retirement, members must choose one of four retirement options providing benefits for their life only, or reducing their monthly benefit in order to provide continuing optional benefits for designated beneficiaries upon the retired member's death.

b. Deferred Benefit

A vested member (one who has completed at least five years of service) leaving covered employment before attaining retirement age is eligible for a deferred benefit beginning as early as age 50 or as late as age 60, provided the member leaves his accumulated contributions on deposit with the system. If the inactive member should become deceased before he applies for retirement benefits, his designated beneficiary is entitled to a refund of all accumulated contributions and interest.

c. Disability Benefit

A member with five or more years of credited service who becomes totally and permanently disabled prior to age 60 is eligible for a disability benefit.

A member hired on or before February 24, 1991, is eligible for a disability benefit equal to the higher of either:

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

25% of Final Average Salary, or  
90% of the Service Retirement Benefit.

A member hired after February 24, 1991, is eligible for disability benefit equal to:

$1/56 \times \text{Years of Service} \times \text{Final Average Salary}.$

Members hired on or before February 24, 1991 may make a one-time, irrevocable election, prior to January 1, 1992, to be covered under the new disability benefit provisions.

d. Death Benefit

Upon the death of an actively employed member of the system, his surviving designated beneficiary is entitled to either:

- 1) a lump sum death benefit, which consists of one month's salary for each year of service, up to a maximum of six months salary, plus the contributions and accumulated interest on deposit, or
- 2) if the deceased member had at least five years of credited service, the beneficiary may elect a monthly annuity based on the salary and service of the member.

e. Benefit Enhancements after Retirement

Until June 30, 1989, benefit enhancements have been granted by the legislatures on an ad-hoc basis. The 1989 Legislature instituted an automatic post retirement adjustment process which funds permanent benefit increases from annual investment earnings exceeding the actuarially required 8% yield.

**3. Funding Requirements**

a. Member Contributions

Member contribution rates for fiscal year 1991 are established by statute at 6.30% of each member's gross monthly salary and are deducted from members' salaries and remitted on all covered employees by participating employers. An individual account is maintained for each member's contributions and interest allocations until retirement or a refund request is processed.

In case of a member's death or termination, the accumulated contributions and interest are refunded.

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

b. **Employer Contributions**

Each state, university system, or contracting local government employer contributes 6.417 percent of their total PERS-covered payroll to the retirement system.

The 1989 Legislature enacted phased-in employer and employee contribution rate increases beginning in FY 1993 to fund increased retirement benefits. See Contribution Rates Schedule.

**B. Actuarial Cost Method**

Refer to the Actuarial Section.

**C. Funding Requirement Determinations and Actual Contributions**

The statutorily set contribution rate of 12.717% (employer and member contributions) funds the normal cost contribution rate of 10.22%. The 2.497% difference is applied to amortize the unfunded liabilities of the system. Employer and member contributions for the year totaled \$63,683,724.

**D. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**2. Valuation of Investments**

The following is the listing of investments at fiscal year end:

| <u>TYPE</u>                | <u>COST</u>           | <u>MARKET</u>           |
|----------------------------|-----------------------|-------------------------|
| Corporate Securities       | \$ 515,849,247        | \$ 515,647,907          |
| U.S. Government Securities | 70,822,017            | 72,708,851              |
| Canadian Securities        | 24,898,453            | 27,317,040              |
| Mortgages                  | 68,063,057            | 68,063,057              |
| Short Term Investment Pool | 67,416,400            | 67,416,400              |
| Mont-Comp (Common Stock)   | 131,135,129           | 242,154,266             |
| Preferred Stock            | 2,468,473             | 2,006,250               |
| PERS Building (less depr)  | 92,225                | 92,225                  |
| Land                       | 25,000                | 25,000                  |
| Leveraged Buy-Outs         | 10,989,840            | 13,524,116              |
| Venture Capital            | 3,744,732             | 3,589,518               |
| Total Investments          | \$ <u>895,504,573</u> | \$ <u>1,012,544,630</u> |

See Appendix for investment policies as these policies are standard for all funds.



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b>    | <b>EXPENSES</b>   | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|--------------------|-------------------|-----------------------------|---------------------------------|
| 06/30/82               | 74,636,113         | 31,460,387        | 43,175,726                  | 331,458,235                     |
| 06/30/83               | 81,753,869         | 31,959,391        | 49,794,478                  | 381,252,713                     |
| 06/30/84               | 89,882,391         | 36,254,007        | 53,628,384                  | 434,881,097                     |
| 06/30/85               | 100,088,110        | 40,458,433        | 59,629,677                  | 494,510,774                     |
| 06/30/86               | 112,954,461        | 48,475,336        | 64,479,125                  | 558,989,899                     |
| 06/30/87               | 118,132,627        | 48,496,542        | 69,636,085                  | 628,625,984                     |
| 06/30/88               | 118,203,929        | 54,085,565        | 64,118,364                  | 692,744,348                     |
| 06/30/89               | 128,415,333        | 59,007,013        | 69,408,320                  | 762,152,668                     |
| 06/30/90               | 140,950,202        | 62,102,968        | 78,847,234                  | 840,999,902                     |
| <b>06/30/91</b>        | <b>144,396,977</b> | <b>65,922,502</b> | <b>78,474,475</b>           | <b>919,474,377</b>              |

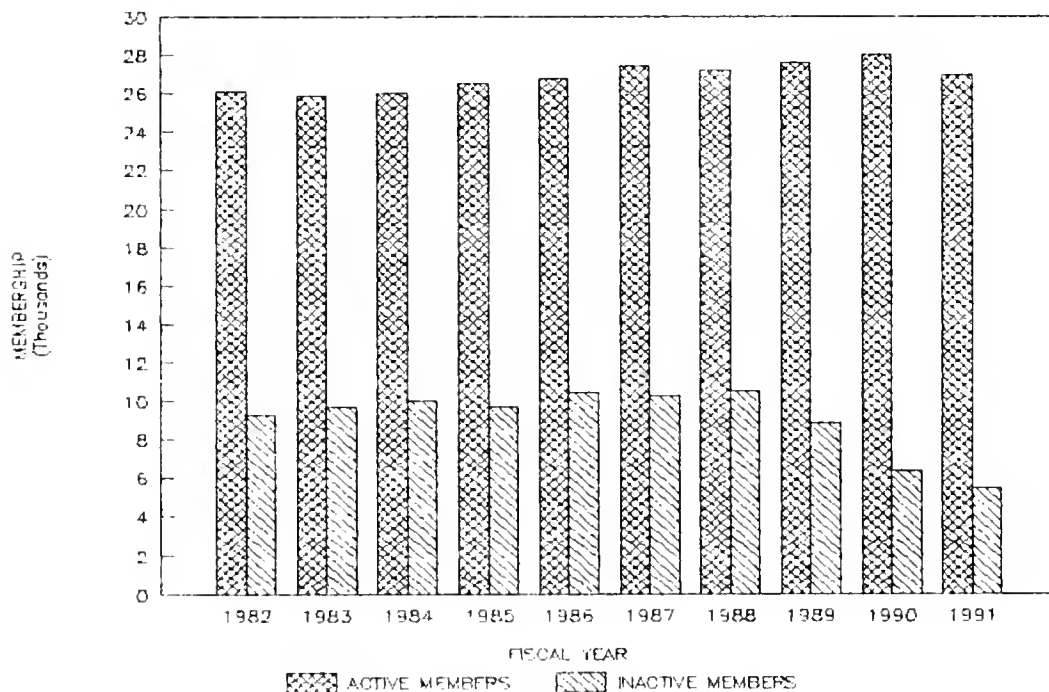
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979-1981              | 6.00                        | 6.00                        |
| 1982-1983              | 6.00                        | 6.32                        |
| 1984-1989              | 6.00                        | 6.417                       |
| 1990                   | 6.15                        | 6.417                       |
| <b>1991</b>            | <b>6.30</b>                 | <b>6.417</b>                |
| 1992                   | 6.417                       | 6.417                       |
| 1993                   | 6.55                        | 6.55                        |
| 1994                   | 6.70                        | 6.70                        |

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

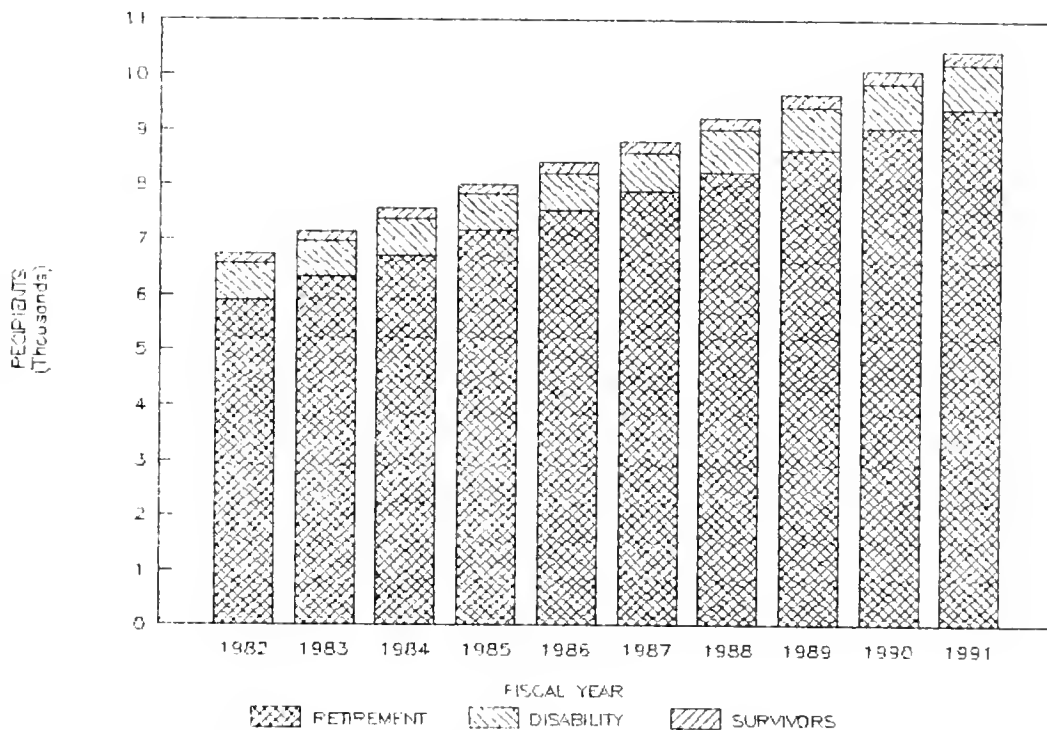
**MEMBERSHIP**

| Fiscal Year | Active Members | Inactive Members | Total  |
|-------------|----------------|------------------|--------|
| 06/30/82    | 26,061         | 9,275            | 35,336 |
| 06/30/83    | 25,857         | 9,702            | 35,559 |
| 06/30/84    | 26,026         | 10,031           | 36,057 |
| 06/30/85    | 26,520         | 9,715            | 36,235 |
| 06/30/86    | 26,767         | 10,462           | 37,229 |
| 06/30/87    | 27,418         | 10,276           | 37,694 |
| 06/30/88    | 27,191         | 10,514           | 37,705 |
| 06/30/89    | 27,614         | 8,811            | 36,425 |
| 06/30/90    | 28,017         | 6,318            | 34,335 |
| 06/30/91    | 26,908         | 5,431            | 32,339 |



**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| Fiscal Year | Retirement | Disability | Survivors | Total  |
|-------------|------------|------------|-----------|--------|
| 06/30/82    | 5,913      | 647        | 173       | 6,733  |
| 06/30/83    | 6,343      | 634        | 181       | 7,158  |
| 06/30/84    | 6,723      | 655        | 190       | 7,568  |
| 06/30/85    | 7,176      | 654        | 195       | 8,025  |
| 06/30/86    | 7,544      | 670        | 192       | 8,406  |
| 06/30/87    | 7,893      | 704        | 205       | 8,802  |
| 06/30/88    | 8,252      | 762        | 210       | 9,224  |
| 06/30/89    | 8,645      | 794        | 213       | 9,652  |
| 06/30/90    | 9,044      | 821        | 221       | 10,086 |
| 06/30/91    | 9,395      | 810        | 224       | 10,429 |

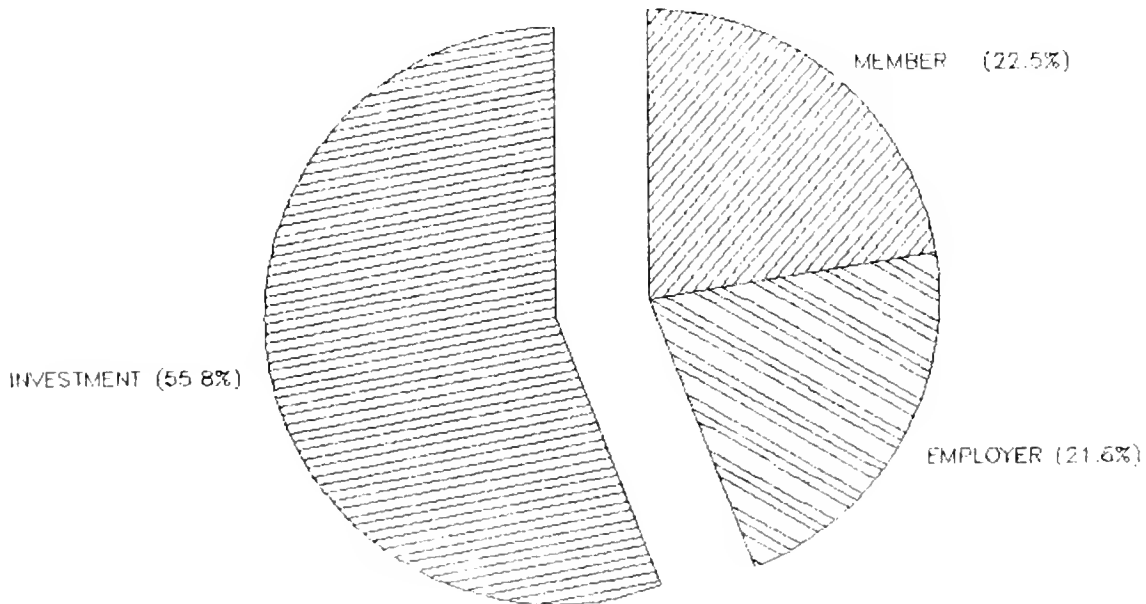


**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR  | CONTRIBUTIONS     |                   | INVESTMENT        | TOTAL              |
|-----------------|-------------------|-------------------|-------------------|--------------------|
|                 | MEMBER            | EMPLOYER          | INCOME            |                    |
| 06/30/82        | 21,192,098        | 21,793,019        | 31,650,996        | 74,636,113         |
| 06/30/83        | 22,671,919        | 23,193,749        | 35,888,201        | 81,753,869         |
| 06/30/84        | 23,835,463        | 24,816,532        | 41,230,396        | 89,882,391         |
| 06/30/85        | 25,396,735        | 26,416,122        | 48,275,253        | 100,088,110        |
| 06/30/86        | 26,402,314        | 27,959,431        | 58,592,716        | 112,954,461        |
| 06/30/87        | 26,950,278        | 27,780,197        | 63,402,152        | 118,132,627        |
| 06/30/88        | 26,550,730        | 27,051,103        | 64,602,096        | 118,203,929        |
| 06/30/89        | 27,949,134        | 28,278,455        | 72,187,744        | 128,415,333        |
| 06/30/90        | 32,557,391        | 30,468,668        | 77,924,143        | 140,950,202        |
| <b>06/30/91</b> | <b>32,528,300</b> | <b>31,239,943</b> | <b>80,628,734</b> | <b>144,396,977</b> |

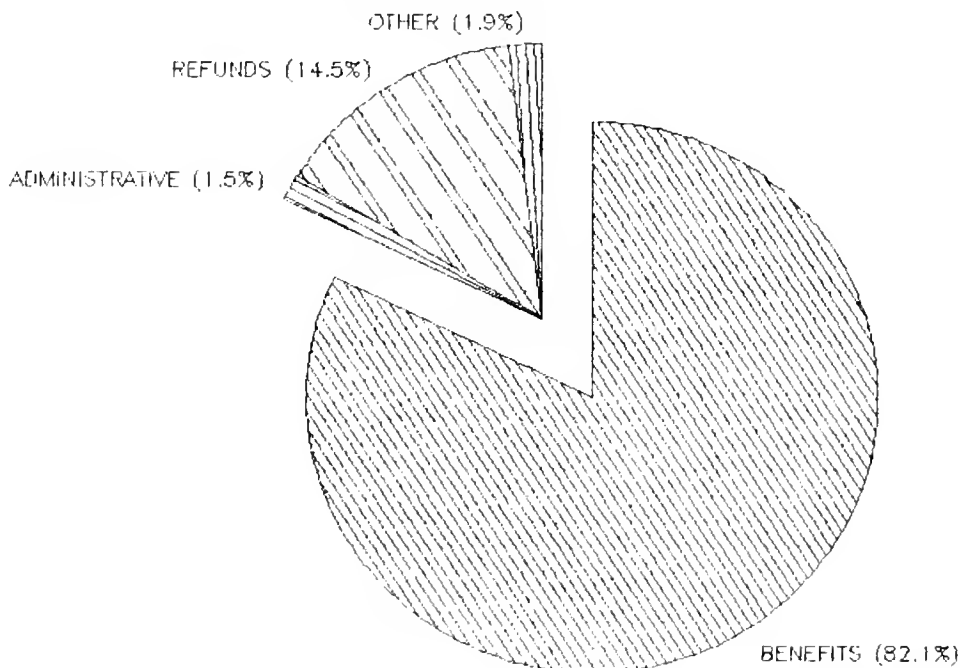
**REVENUES FOR FISCAL YEAR 91**



**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR | BENEFITS   | REFUNDS    | ADMIN<br>EXPENSES * | OTHER **  | TOTAL      |
|----------------|------------|------------|---------------------|-----------|------------|
| 06/30/82       | 23,068,413 | 8,295,763  | 563,065             | (466,854) | 31,460,387 |
| 06/30/83       | 25,036,076 | 6,230,042  | 604,641             | 88,632    | 31,959,391 |
| 06/30/84       | 29,134,512 | 6,838,769  | 715,150             | (434,424) | 36,254,007 |
| 06/30/85       | 31,237,495 | 8,428,750  | 669,816             | 122,372   | 40,458,433 |
| 06/30/86       | 36,595,794 | 8,195,090  | 767,312             | 2,917,140 | 48,475,336 |
| 06/30/87       | 39,092,230 | 8,547,578  | 901,532             | (44,798)  | 48,496,542 |
| 06/30/88       | 43,899,458 | 8,986,375  | 944,886             | 254,846   | 54,085,565 |
| 06/30/89       | 46,270,098 | 11,403,305 | 957,233             | 376,377   | 59,007,013 |
| 06/30/90       | 50,541,097 | 10,093,440 | 997,001             | 471,430   | 62,102,968 |
| 06/30/91       | 54,154,119 | 9,542,122  | 993,342             | 1,232,919 | 65,922,502 |

**EXPENSES FOR FISCAL YEAR 91**



\* Includes Investment Expense

\*\* Includes Prior Year Adjustments

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS  
(In millions of dollars)**

| FISCAL<br>YEAR | NET ASSETS<br>AVAILABLE<br>FOR BENEFITS* | PENSION<br>BENEFIT<br>OBLIGATION | PERCENT<br>FUNDED | UNFUNDED<br>PBO | ANNUAL<br>COVERED<br>PAYROLL | UNFUNDED PBO<br>AS A PERCENT OF<br>COVERED PAYROLL |
|----------------|------------------------------------------|----------------------------------|-------------------|-----------------|------------------------------|----------------------------------------------------|
| 1988           | \$692.7                                  | \$945.7                          | 73.2%             | \$253.0         | \$466.2                      | 54.3%                                              |
| 1989           | 762.2                                    | 1042.2                           | 73.1%             | 280.0           | 471.2                        | 59.4%                                              |
| 1990           | 841.0                                    | 1093.8                           | 76.9%             | 252.8           | 476.6                        | 53.0%                                              |
| 1991           | 919.5                                    | 1173.9                           | 78.3%             | 254.4           | 510.4                        | 49.8%                                              |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.

**MUNICIPAL POLICE OFFICERS'**  
**RETIREMENT SYSTEM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

***CONTRIBUTION RATES***

***MEMBERSHIP***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ANALYSIS OF FUNDING PROCESS***

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                            |
|----------------------------|----------------------------|
| Cash In Treasury           | \$10,663                   |
| Interest Receivable        | 639,754                    |
| Accounts Receivable        | 3,282,455                  |
| Corporate Securities       | 19,136,050                 |
| U.S. Government Securities | 6,428,594                  |
| Canadian Securities        | 1,222,395                  |
| Short Term Investment Pool | 1,646,900                  |
| Common Stock               | 4,736,106                  |
| Leveraged Buy-Outs         | 439,591                    |
| Deferred Gains And Losses  | 178,750                    |
| <b>Total Assets</b>        | <b><u>\$37,721,258</u></b> |

**LIABILITIES**

|                                          |                            |
|------------------------------------------|----------------------------|
| Accounts Payable                         | 18,564                     |
| <b>Net Assets Available For Benefits</b> | <b><u>\$37,702,694</u></b> |

**FUND BALANCE**

|                                  |                            |
|----------------------------------|----------------------------|
| Annuity Savings Reserve          | \$5,452,283                |
| Annuity Savings Interest Reserve | 2,966,432                  |
| Pension Accumulation Reserve     | 29,283,979                 |
| <b>Total Fund Balance</b>        | <b><u>\$37,702,694</u></b> |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                       | 1990                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$777,005                  | \$713,525                  |
| Employer                                | 1,458,306                  | 1,341,047                  |
| State                                   | 2,795,095                  | 2,856,449                  |
| Interest Reserve Buyback                | 839                        | 519                        |
| Investment Income                       | 2,939,475                  | 2,859,550                  |
| Common Stock Dividends                  | 229,340                    | 157,238                    |
| <b>Total Revenues</b>                   | <u><u>\$8,200,060</u></u>  | <u><u>\$7,928,329</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$4,843,076                | \$4,638,412                |
| Refund of Member Contributions          | 77,574                     | 182,565                    |
| Interest On Refunds                     | 22,992                     | 56,650                     |
| Employer Refund                         | 27,574                     | 15,424                     |
| Administrative Expense                  | 18,278                     | 15,558                     |
| Investment Expense                      | 3,930                      | 4,068                      |
| <b>Total Expenses</b>                   | <u><u>\$4,993,424</u></u>  | <u><u>\$4,912,677</u></u>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | (\$227,021)                | (\$16,461)                 |
| Excess Of Revenues Over Expenses        | 2,979,615                  | 2,999,191                  |
| Fund Balance Beginning Of Year          | 34,723,079                 | 31,723,888                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$37,702,694</u></u> | <u><u>\$34,723,079</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$2,979,615        |
| <b>Total Resources Provided</b> | <b>\$2,979,615</b> |

**RESOURCES USED BY:**

Net Increase In Working Capital

|                             |                    |
|-----------------------------|--------------------|
| <b>Total Resources Used</b> | <b>\$2,979,615</b> |
|-----------------------------|--------------------|

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE</b>    |
|----------------------------------|---------------------------|---------------------|--------------------|
| <b>CURRENT ASSETS:</b>           | <b>1991</b>               | <b>1990</b>         | <b>(DECREASE)</b>  |
| Cash                             | \$10,663                  | \$24,172            | (\$13,509)         |
| Accrued Interest                 | 639,754                   | 715,518             | (75,764)           |
| Accrued Contributions            | 3,282,455                 | 2,917,332           | 365,123            |
| Deferred Gains And Losses        | 178,750                   | 216,018             | (37,268)           |
| Investments:                     |                           |                     |                    |
| Federal Securities               | 3,664,235                 | 4,876,756           | (1,212,521)        |
| Corporate Securities             | 21,370,103                | 21,749,094          | (378,991)          |
| Short Term Investment Pool       | 1,646,900                 | 1,348,000           | 298,900            |
| Common Stock                     | 4,736,106                 | 2,398,189           | 2,337,917          |
| Securities On Loan               | 2,192,292                 | 505,196             | 1,687,096          |
| <b>Total Current Assets</b>      | <b>\$37,721,258</b>       | <b>\$34,750,275</b> | <b>\$2,970,983</b> |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                    |
| Accrued Expenses                 | 18,564                    | 27,196              | (8,632)            |
| <b>Total Current Liabilities</b> | <b>\$18,564</b>           | <b>\$27,196</b>     | <b>(\$8,632)</b>   |
| <b>WORKING CAPITAL</b>           | <b>\$37,702,694</b>       | <b>\$34,723,079</b> | <b>\$2,979,615</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Description of Plan**

**1. Plan Membership**

The Municipal Police Officers' Retirement System (MPORS) is a statewide defined benefit retirement plan established in 1975 for first and second class cities and other cities that wish to adopt the Plan. The MPORS is a multiple-employer, cost-sharing plan.

**Membership Data**

| <u>Employer &amp; Active Members</u> | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|--------------------------------------|----------------------|----------------------|
| <b>Active</b>                        |                      |                      |
| Anaconda                             | 19                   | 16                   |
| Baker                                | 3                    | 4                    |
| Billings                             | 99                   | 104                  |
| Bozeman                              | 27                   | 24                   |
| Butte                                | 39                   | 40                   |
| Glasgow                              | 6                    | 7                    |
| Glendive                             | 12                   | 13                   |
| Great Falls                          | 61                   | 56                   |
| Havre                                | 16                   | 15                   |
| Helena                               | 37                   | 37                   |
| Kalispell                            | 23                   | 23                   |
| Lewistown                            | 10                   | 10                   |
| Livingston                           | 10                   | 10                   |
| Miles City                           | 14                   | 14                   |
| Missoula                             | 63                   | 61                   |
| Plains                               | 1                    | 1                    |
| Red Lodge                            | <u>5</u>             | <u>6</u>             |
| Total                                | <u>445</u>           | <u>441</u>           |
| <b>Inactive</b>                      |                      |                      |
| Vested                               | 2                    | 0                    |
| Non-vested                           | <u>10</u>            | <u>9</u>             |
| Total                                | <u>12</u>            | <u>9</u>             |
| <b>Retirees &amp; Beneficiaries</b>  |                      |                      |
| Retirees                             | 305                  | 297                  |
| Disabilities                         | 97                   | 96                   |
| Survivors                            | <u>27</u>            | <u>29</u>            |
| Total                                | <u>429</u>           | <u>422</u>           |

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. Plan Benefits**

a. Pension Benefits

A member hired after July 1, 1975 may retire with a retirement benefit after completing twenty years of credited service and attaining the minimum service retirement age of 50 as an active member. A member employed before July 1, 1975 may retire with 20 years of service at any age. The retirement benefit is payable monthly for the life of the member. After 20 years of service, a police officer receives a retirement benefit equal to one-half his final average salary (FAS), which is 2.5% of final average salary for each year of service. If a member has service over 20 years, the benefit will include an additional 1% of FAS for each year of additional service, up to a maximum of 60% of FAS.

A member's final average salary is the average of the member's monthly pay during the last 36 months of active service.

b. Deferred Benefit

A member leaving covered employment before attaining retirement age is eligible for a complete refund of all employee accumulated contributions.

c. Disability Benefit

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The minimum disability benefit will be one-half his FAS. However, if the member had served for more than 20 years, the benefit will be increased by 1% of his FAS for each year over 20 years service.

d. Death Benefit

Upon the death of an active or retired member, his surviving spouse (or dependent child(ren), if there is no surviving spouse) is entitled to a monthly benefit equal to one-half the member's FAS.

e. Benefit Enhancements after Retirement

The monthly retirement benefit received by a retired member or survivor may not be less than one-half of the salary of a newly confirmed police officer employed by the city that last employed the member. A supplemental benefit, funded by monies from the insurance premium tax fund, is paid to benefit recipients.

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**3. Funding Requirements**

**a. Member Contributions**

Member contribution rates are established by statute at 6 percent (for members hired prior to July 1, 1979) and 7.5 percent (for members hired after July 1, 1979) of monthly compensation and are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

The 1991 Legislature established new contribution rates for fiscal year 1992. Members hired: prior to July 1, 1975 - 6.0%; between July 1, 1975 and June 30, 1979 - 7.2%; after July 1, 1979 - 8.7%. See Contribution Rates Schedule.

**b. Employer Contributions**

Each employer contributes 13.02 percent of their total monthly payroll.

The 1991 Legislature established new employer contribution rates at 13.92% beginning fiscal year 1992. See Contribution Rates Schedule.

**c. State Contributions**

The State contributes 15.06 percent of the total compensation of all covered police officers. A single annual payment is made from the insurance premium tax fund to the retirement trust fund. The amount for fiscal year 1991 was \$1,727,359.

The 1991 Legislature established new State contribution rates at 15.66% for fiscal year 1992. See Contribution Rates Schedule.

**d. Supplemental Benefit Contributions**

A single annual payment is received from the State Auditor's office from the insurance premium tax fund. This additional contribution funds the supplemental retirement benefits for certain retired members and their survivors. The amount received for fiscal year 1991 was \$1,067,736.

**B. Actuarial Cost Method**

Refer to Actuarial Section.

**C. Funding Requirement Determinations and Actual Contributions**

The statutorily set contribution rate of 35.46% (employer, member, and State) funds the normal cost contribution rate of 22.96%. The 12.5% difference is applied to amortize unfunded liability of the system. Employer, member and State contributions for the year totalled \$3,962,670.

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**D. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**2. Valuation of Investments**

The following is the listing of investments at fiscal year end:

| <u>TYPE</u>                | <u>COST</u>   | <u>MARKET</u> |
|----------------------------|---------------|---------------|
| Corporate Securities       | \$ 19,136,050 | \$ 19,157,606 |
| US Government Securities   | 6,428,594     | 6,574,761     |
| Canadian Securities        | 1,222,395     | 1,401,379     |
| Short Term Investment Pool | 1,646,900     | 1,646,900     |
| Mont-Comp (Common Stock)   | 4,736,106     | 6,802,645     |
| Leveraged Buy-Outs         | 439,591       | 540,959       |
|                            | <hr/>         | <hr/>         |
| Total Investments          | \$ 33,609,636 | \$ 36,124,250 |
|                            | <hr/>         | <hr/>         |

See Appendix for investment policies as these policies are standard for all funds.

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**  
**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| FISCAL<br>YEAR  | REVENUES         | EXPENSES         | ANNUAL<br>ADDITIONS | NET ASSETS<br>AVAILABLE |
|-----------------|------------------|------------------|---------------------|-------------------------|
| 06/30/82        | 4,692,836        | 2,548,194        | 2,144,642           | 12,230,723              |
| 06/30/83        | 5,102,156        | 2,624,229        | 2,477,927           | 14,708,650              |
| 06/30/84        | 5,479,663        | 2,938,923        | 2,540,740           | 17,249,390              |
| 06/30/85        | 5,878,694        | 3,880,545        | 1,998,149           | 19,247,539              |
| 06/30/86        | 6,671,419        | 3,564,393        | 3,107,026           | 22,354,565              |
| 06/30/87        | 6,893,809        | 3,768,751        | 3,125,058           | 25,479,623              |
| 06/30/88        | 7,063,483        | 4,119,342        | 2,944,141           | 28,423,764              |
| 06/30/89        | 7,733,095        | 4,432,970        | 3,300,125           | 31,723,889              |
| 06/30/90        | 7,928,329        | 4,929,139        | 2,999,190           | 34,723,079              |
| <b>06/30/91</b> | <b>8,200,060</b> | <b>5,220,445</b> | <b>2,979,615</b>    | <b>37,702,694</b>       |

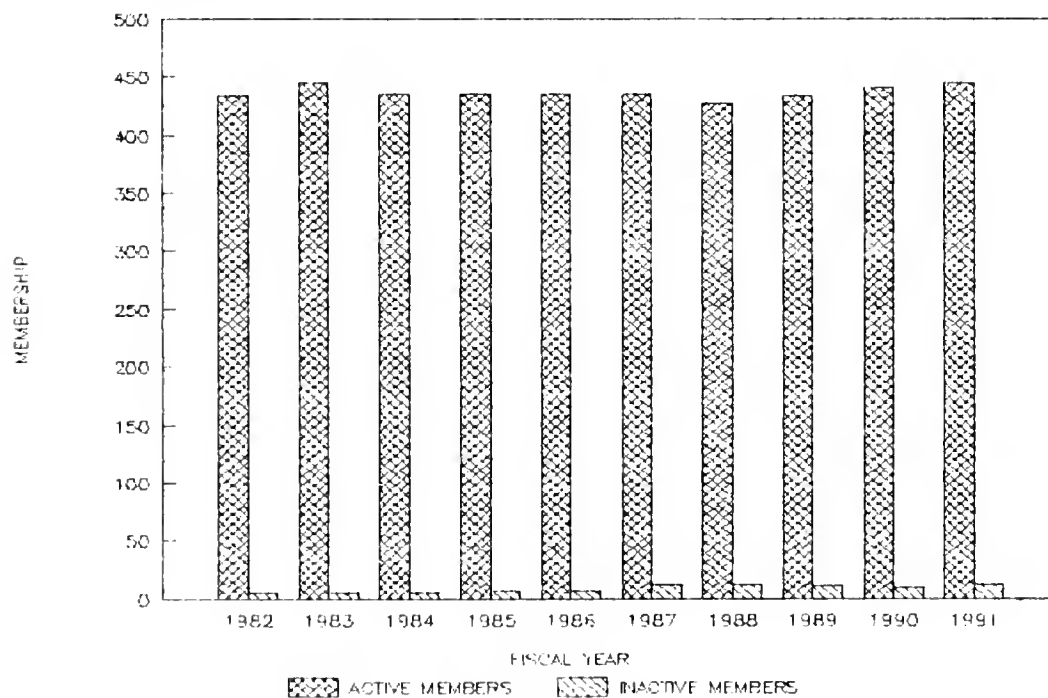
**CONTRIBUTION RATES**

| FISCAL<br>YEAR   | EMPLOYEE<br>PERCENT | EMPLOYER<br>PERCENT | STATE<br>PERCENT |
|------------------|---------------------|---------------------|------------------|
| 1979-1981        | 6.00/7.5            | 14.00               | 14.00            |
| 1982-1985        | 6.00/7.5            | 14.04               | 14.04            |
| <b>1986-1991</b> | <b>6.00/7.5</b>     | <b>13.02</b>        | <b>15.06</b>     |
| 1992             | 6.0/7.2/8.7         | 13.92               | 15.66            |

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**MEMBERSHIP**

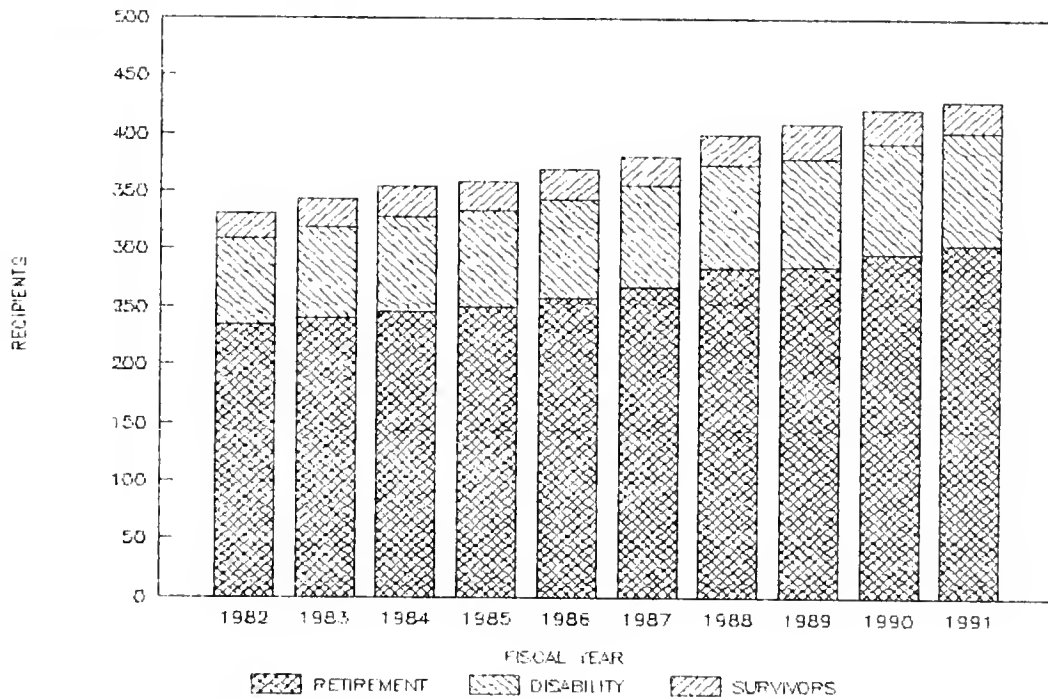
| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/82           | 434                   | 5                       | 439          |
| 06/30/83           | 445                   | 5                       | 450          |
| 06/30/84           | 435                   | 5                       | 440          |
| 06/30/85           | 436                   | 7                       | 443          |
| 06/30/86           | 436                   | 7                       | 443          |
| 06/30/87           | 436                   | 12                      | 448          |
| 06/30/88           | 427                   | 12                      | 439          |
| 06/30/89           | 434                   | 10                      | 444          |
| 06/30/90           | 441                   | 9                       | 450          |
| <b>06/30/91</b>    | <b>445</b>            | <b>12</b>               | <b>457</b>   |





**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**  
**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| Fiscal Year | Retirement | Disability | Survivors | Total |
|-------------|------------|------------|-----------|-------|
| 06/30/82    | 235        | 74         | 22        | 331   |
| 06/30/83    | 240        | 79         | 24        | 343   |
| 06/30/84    | 246        | 82         | 26        | 354   |
| 06/30/85    | 250        | 84         | 25        | 359   |
| 06/30/86    | 258        | 86         | 25        | 369   |
| 06/30/87    | 268        | 88         | 25        | 381   |
| 06/30/88    | 284        | 89         | 27        | 400   |
| 06/30/89    | 286        | 93         | 30        | 409   |
| 06/30/90    | 297        | 96         | 29        | 422   |
| 06/30/91    | 305        | 97         | 27        | 429   |

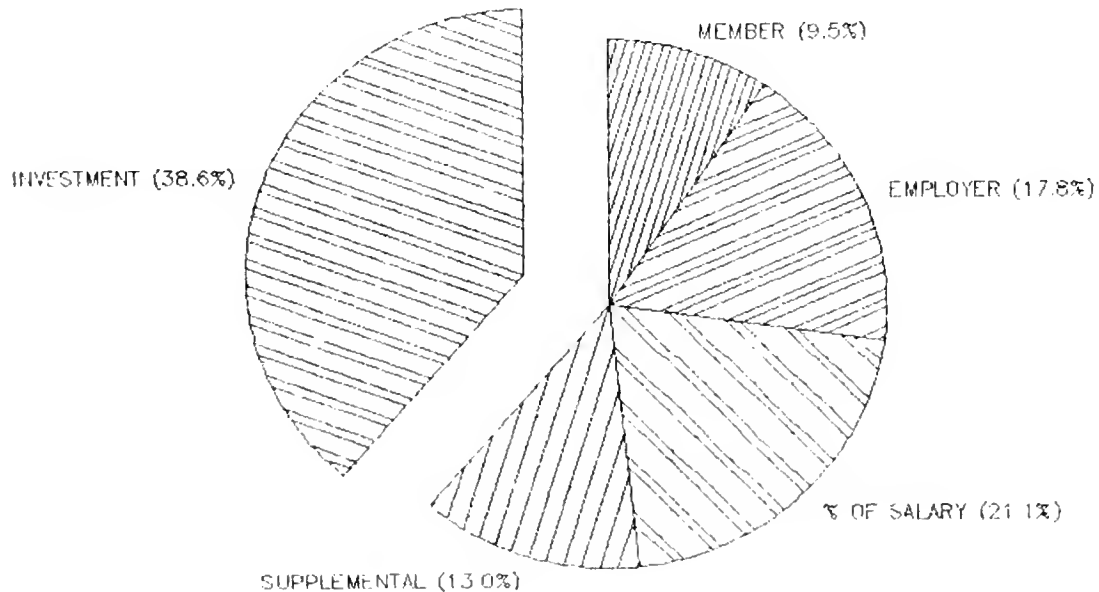


**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR | CONTRIBUTIONS |           | STATE     |            | INVESTMENT | TOTAL     |
|----------------|---------------|-----------|-----------|------------|------------|-----------|
|                | MEMBER        | EMPLOYER  | % SALARY  | SUPPLEMENT | INCOME     |           |
| 06/30/82       | 498,893       | 1,369,341 | 1,139,037 | 589,894    | 1,061,976  | 4,659,141 |
| 06/30/83       | 525,904       | 1,283,056 | 1,200,253 | 700,904    | 1,306,008  | 5,016,125 |
| 06/30/84       | 553,306       | 1,234,377 | 1,277,263 | 819,257    | 1,575,775  | 5,459,977 |
| 06/30/85       | 577,408       | 1,306,400 | 1,223,420 | 877,824    | 1,893,642  | 5,878,695 |
| 06/30/86       | 631,450       | 1,201,219 | 1,425,692 | 913,374    | 2,499,684  | 6,671,419 |
| 06/30/87       | 638,083       | 1,237,493 | 1,537,632 | 961,504    | 2,519,097  | 6,893,809 |
| 06/30/88       | 671,626       | 1,254,341 | 1,573,901 | 1,003,643  | 2,559,971  | 7,063,483 |
| 06/30/89       | 670,186       | 1,409,323 | 1,603,474 | 1,178,523  | 2,855,989  | 7,717,494 |
| 06/30/90       | 714,044       | 1,341,047 | 1,648,599 | 1,207,851  | 3,016,789  | 7,928,329 |
| 06/30/91       | 777,844       | 1,458,306 | 1,727,359 | 1,067,736  | 3,168,815  | 8,200,060 |

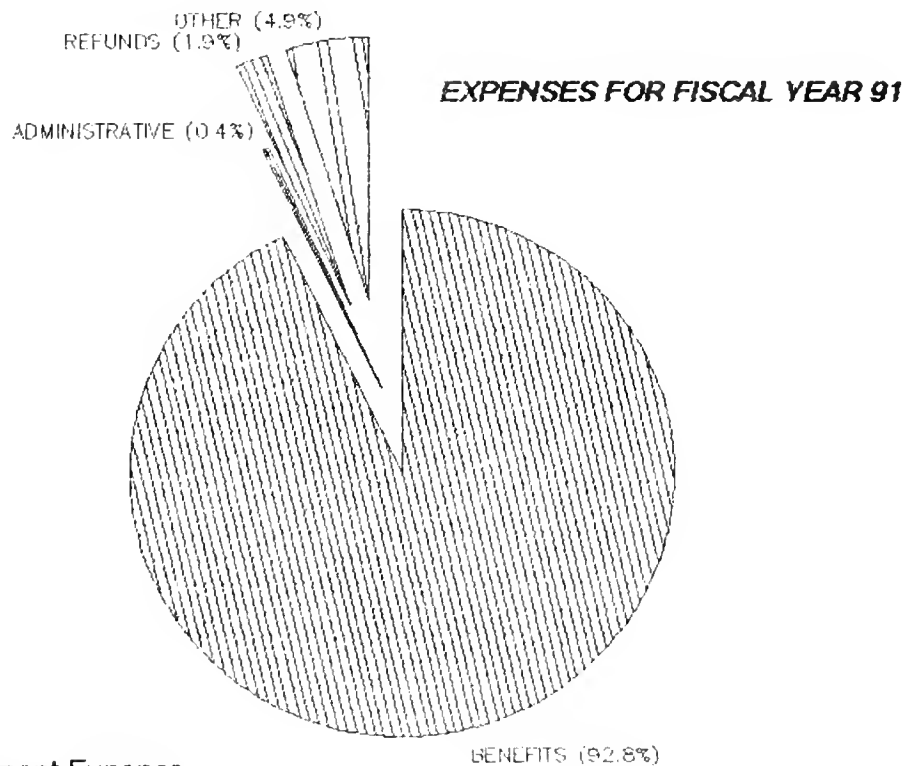
**REVENUES FOR FISCAL YEAR 91**



**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR  | BENEFITS         | REFUNDS        | ADMIN<br>EXPENSES* | OTHER**        | TOTAL            |
|-----------------|------------------|----------------|--------------------|----------------|------------------|
| 06/30/82        | 2,459,857        | 79,409         | 17,742             | (8,814)        | 2,548,194        |
| 06/30/83        | 2,743,215        | 14,819         | 15,676             | (149,481)      | 2,624,229        |
| 06/30/84        | 2,926,085        | 71,241         | 20,637             | (79,040)       | 2,938,923        |
| 06/30/85        | 3,151,287        | 108,187        | 18,734             | 602,337        | 3,880,545        |
| 06/30/86        | 3,463,618        | 79,197         | 24,191             | (2,613)        | 3,564,393        |
| 06/30/87        | 3,696,827        | 45,680         | 26,244             | 0              | 3,768,751        |
| 06/30/88        | 3,989,794        | 94,404         | 22,849             | 12,295         | 4,119,342        |
| 06/30/89        | 4,272,625        | 132,755        | 20,077             | 7,513          | 4,432,970        |
| 06/30/90        | 4,638,412        | 239,216        | 19,626             | 31,885         | 4,929,139        |
| <b>06/30/91</b> | <b>4,843,076</b> | <b>100,565</b> | <b>22,208</b>      | <b>254,596</b> | <b>5,220,445</b> |



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS**  
*(In millions of dollars)*

| FISCAL<br>YEAR | NET ASSETS<br>AVAILABLE<br>FOR BENEFITS* | PENSION<br>BENEFIT<br>OBLIGATION | PERCENT<br>FUNDED | UNFUNDED<br>PBO | ANNUAL<br>COVERED<br>PAYROLL | UNFUNDED PBO<br>AS A PERCENT OF<br>COVERED PAYROLL |
|----------------|------------------------------------------|----------------------------------|-------------------|-----------------|------------------------------|----------------------------------------------------|
| 1988           | \$28.4                                   | \$63.2                           | 44.9%             | \$34.8          | \$9.8                        | 355.1%                                             |
| 1989           | 31.7                                     | 66.5                             | 47.7%             | 34.8            | 9.9                          | 351.5%                                             |
| 1990           | 34.7                                     | 70.3                             | 49.4%             | 35.6            | 10.5                         | 339.0%                                             |
| 1991           | 37.7                                     | 76.0                             | 49.6%             | 38.2            | 12.1                         | 316.2%                                             |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.

## **GAME WARDENS' RETIREMENT SYSTEM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

***CONTRIBUTION RATES***

***MEMBERSHIP***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ANALYSIS OF FUNDING PROCESS***

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$22,356            |
| Interest Receivable        | 213,974             |
| Accounts Receivable        | 21,119              |
| Mortgages                  | 10,767              |
| Corporate Securities       | 6,252,169           |
| U.S. Government Securities | 1,921,999           |
| Canadian Securities        | 371,355             |
| Short Term Investment Pool | 756,400             |
| Common Stock               | 1,923,305           |
| Leveraged Buy-Outs         | 109,899             |
| Deferred Gains And Losses  | 92,786              |
| <b>Total Assets</b>        | <b>\$11,696,129</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 3,574               |
| <b>Net Assets Available For Benefits</b> | <b>\$11,692,555</b> |

**FUND BALANCE**

|                                    |                     |
|------------------------------------|---------------------|
| Annuity Savings Reserve            | \$1,696,900         |
| Annuity Savings Interest Reserve   | 1,236,242           |
| Pension Accumulation Reserve       | 8,752,149           |
| Post Retirement Adjustment Reserve | 7,264               |
| <b>Total Fund Balance</b>          | <b>\$11,692,555</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                       | 1990                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$194,632                  | \$198,219                  |
| Employer                                | 175,548                    | 252,561                    |
| Interest Reserve Buyback                | 1,607                      | 5,658                      |
| Investment Income                       | 848,794                    | 833,714                    |
| Common Stock Dividends                  | 109,125                    | 95,938                     |
| Fines And Forfeitures                   | 295,346                    | 207,232                    |
| <b>Total Revenues</b>                   | <u><u>\$1,625,052</u></u>  | <u><u>\$1,593,322</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$717,300                  | \$685,390                  |
| Refund of Member Contributions          | 2,066                      | 1,287                      |
| Interest On Refunds                     | 47                         | 0                          |
| Administrative Expense                  | 3,482                      | 2,703                      |
| Investment Expense                      | 1,163                      | 1,262                      |
| <b>Total Expenses</b>                   | <u><u>\$724,058</u></u>    | <u><u>\$690,642</u></u>    |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | (\$59)                     | (\$9,278)                  |
| Excess Of Revenues Over Expenses        | 900,935                    | 893,401                    |
| Fund Balance Beginning Of Year          | 10,791,620                 | 9,898,219                  |
| <b>Fund Balance End Of Year</b>         | <u><u>\$11,692,555</u></u> | <u><u>\$10,791,620</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations.

|                                 |                  |
|---------------------------------|------------------|
| Excess Revenues Over Expenses   | \$900,935        |
| <b>Total Resources Provided</b> | <b>\$900,935</b> |

**RESOURCES USED BY:**

Net Increase In Working Capital

|                             |                  |
|-----------------------------|------------------|
| <b>Total Resources Used</b> | <b>\$900,935</b> |
|-----------------------------|------------------|

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | YEAR ENDED JUNE 30  |                     | INCREASE         |
|----------------------------------|---------------------|---------------------|------------------|
|                                  | 1991                | 1990                | (DECREASE)       |
| <b>CURRENT ASSETS:</b>           |                     |                     |                  |
| Cash                             | \$22,356            | \$252,200           | (\$229,844)      |
| Accrued Interest                 | 213,974             | 219,677             | (5,704)          |
| Accrued Contributions            | 21,119              | 13,555              | 7,563            |
| Deferred Gains And Losses        | 92,786              | 110,811             | (18,024)         |
| Investments:                     |                     |                     |                  |
| Mortgages                        | 10,768              | 11,690              | (921)            |
| Federal Securities               | 953,180             | 759,577             | 193,604          |
| Corporate Securities             | 6,941,789           | 6,960,022           | (18,232)         |
| Short Term Investment Pool       | 756,400             | 895,500             | (139,100)        |
| Common Stock                     | 1,923,305           | 1,301,321           | 621,984          |
| Securities On Loan               | 760,452             | 270,130             | 490,323          |
| <b>Total Current Assets</b>      | <b>\$11,696,130</b> | <b>\$10,794,481</b> | <b>\$901,649</b> |
| <b>CURRENT LIABILITIES:</b>      |                     |                     |                  |
| Accrued Expenses                 | 3,574               | 2,860               | 714              |
| <b>Total Current Liabilities</b> | <b>\$3,574</b>      | <b>\$2,860</b>      | <b>\$714</b>     |
| <b>WORKING CAPITAL</b>           | <b>\$11,692,556</b> | <b>\$10,791,621</b> | <b>\$900,935</b> |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA**  
**GAME WARDENS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Game Wardens' Retirement System (GWRS) is a statewide defined benefit retirement system established in 1963 for state game wardens and warden supervisory personnel whose salary is paid out of the Department of Fish, Wildlife and Park's monies. The GWRS is a single employer, cost-sharing plan.

**Membership Data**

| <u>Employer &amp; Active Members</u> | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|--------------------------------------|----------------------|----------------------|
| <b>Active</b>                        |                      |                      |
| State                                | <u>91</u>            | <u>89</u>            |
| Total                                | <u>91</u>            | <u>89</u>            |
|                                      | <u>==</u>            | <u>==</u>            |
| <b>Inactive</b>                      |                      |                      |
| Vested                               | 0                    | 0                    |
| Non-vested                           | <u>4</u>             | <u>2</u>             |
| Total                                | <u>4</u>             | <u>2</u>             |
|                                      | <u>==</u>            | <u>==</u>            |
| <b>Retirees &amp; Beneficiaries</b>  |                      |                      |
| Retirees                             | 47                   | 46                   |
| Disabilities                         | 9                    | 9                    |
| Survivors                            | <u>3</u>             | <u>3</u>             |
| Total                                | <u>59</u>            | <u>58</u>            |
|                                      | <u>==</u>            | <u>==</u>            |

**2. Plan Benefits**

**a. Pension Benefits**

A member may retire with a service retirement benefit after completing twenty years of credited service and attaining the minimum service retirement age of 50. The retirement benefit, payable monthly for the life of the retiree (with optional benefits available for the joint life of a survivor), is calculated using the following formula:

$$2\% \times \text{Years of Service} \times \text{Final Average Salary}$$

A member's final average salary is the average of his highest consecutive 36 months salary.

**STATE OF MONTANA**  
**GAME WARDENS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

b. Deferred Benefit

A vested member (one who has completed ten years of service) who is involuntarily discontinued from covered employment before attaining retirement age is eligible for a deferred benefit at age 55 providing the member leaves his accumulated contributions on deposit. If an inactive member should die before he reaches age 55, the beneficiary can receive a refund of the member's contributions plus interest.

c. Disability Benefit

Any active member who becomes totally and permanently disabled is eligible for a disability benefit. The amount of the benefit is either:

- 1) the actuarial equivalent of the retirement annuity, or
- 2) for members with more than 10 years of service and who's disability is a direct result of service in the line of duty, a monthly benefit equal to one-half of their final salary.

d. Death Benefit

Upon the death of an active member prior to retirement, surviving beneficiaries are entitled to either:

- 1) in the case of a work-related death, a monthly benefit equal to one-half of the member's final salary (reduced by any amounts paid under the Workers' Compensation Act) or
- 2) in the case of a death from other causes, a monthly annuity based upon the salary, age and service of the member. The beneficiary(ies) may elect a refund of the member's accumulated contributions and interest in lieu of the monthly benefit.

e. Benefit Enhancements after Retirement

Prior to June 30, 1989, benefit increases had been granted by the legislatures on an ad-hoc basis to retirees. The 1989 Legislature instituted an automatic post retirement adjustment process which funds permanent benefit increases from investment earnings over the actuarially required 8% yield.

**3. Funding Requirements**

a. Member Contributions

Member contribution rates are established by statute at 7.9 percent of total monthly salary and are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

**STATE OF MONTANA**  
**GAME WARDENS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

b. **Employer's Contributions**

The employer contributes 7.15 percent of the total monthly payroll as established by statute.

c. **Fines and Forfeitures**

In addition, certain monies collected as fines and forfeited bonds are deposited in the trust fund until such time as there is no longer any unfunded liability to the system.

**B. Actuarial Cost Method**

Refer to the Actuarial Section.

**C. Funding Requirement Determinations and Actual Contributions**

The aggregate contribution rate of 25.25% (employer, member, fines and forfeitures) funds the normal cost contribution rate of 15.96%. The 9.29% difference is applied to amortize the unfunded liability of the system. Employer and member contributions (including fines and forfeitures) for the year totaled \$665,526.

**D. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**2. Valuation of Investments**

The following is the listing of investments at fiscal year end.

| <u>TYPE</u>                | <u>COST</u>   | <u>MARKET</u> |
|----------------------------|---------------|---------------|
| Mortgages                  | \$ 10,767     | 10,767        |
| Corporate Securities       | 6,252,169     | 6,257,816     |
| US Government Securities   | 1,921,999     | 1,950,397     |
| Canadian Securities        | 371,355       | 394,144       |
| Short Term Investment Pool | 756,400       | 756,400       |
| Mont-Comp (Common Stock)   | 1,923,305     | 3,091,860     |
| Leveraged Buy-Outs         | 109,899       | 135,242       |
| Total Investments          | \$ 11,345,894 | \$ 12,596,626 |

See Appendix for investment policies as these policies are standard for all funds.



**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b>  | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|------------------|-----------------|-----------------------------|---------------------------------|
| 06/30/82               | 774,717          | 357,107         | 417,610                     | 3,833,820                       |
| 06/30/83               | 968,206          | 281,934         | 686,272                     | 4,520,092                       |
| 06/30/84               | 1,082,039        | 301,859         | 780,180                     | 5,300,272                       |
| 06/30/85               | 1,154,724        | 308,165         | 846,559                     | 6,146,831                       |
| 06/30/86               | 1,344,616        | 400,449         | 944,167                     | 7,090,998                       |
| 06/30/87               | 1,321,877        | 471,545         | 850,332                     | 7,941,330                       |
| 06/30/88               | 1,486,942        | 472,993         | 1,013,949                   | 8,955,279                       |
| 06/30/89               | 1,571,537        | 628,597         | 942,940                     | 9,898,219                       |
| 06/30/90               | 1,593,322        | 699,920         | 893,402                     | 10,791,620                      |
| <b>06/30/91</b>        | <b>1,625,052</b> | <b>724,117</b>  | <b>900,935</b>              | <b>11,692,555</b>               |

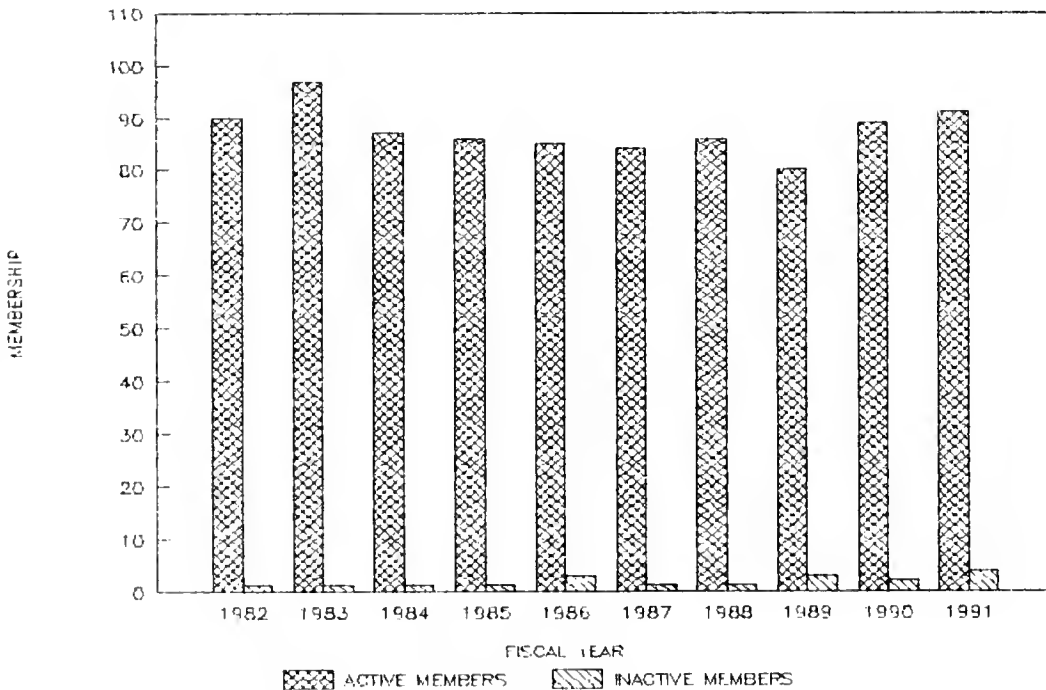
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979-1981              | 7.00                        | 7.00                        |
| 1982-1985              | 7.00                        | 7.15                        |
| <b>1986-1991</b>       | <b>7.90</b>                 | <b>7.15</b>                 |

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**MEMBERSHIP**

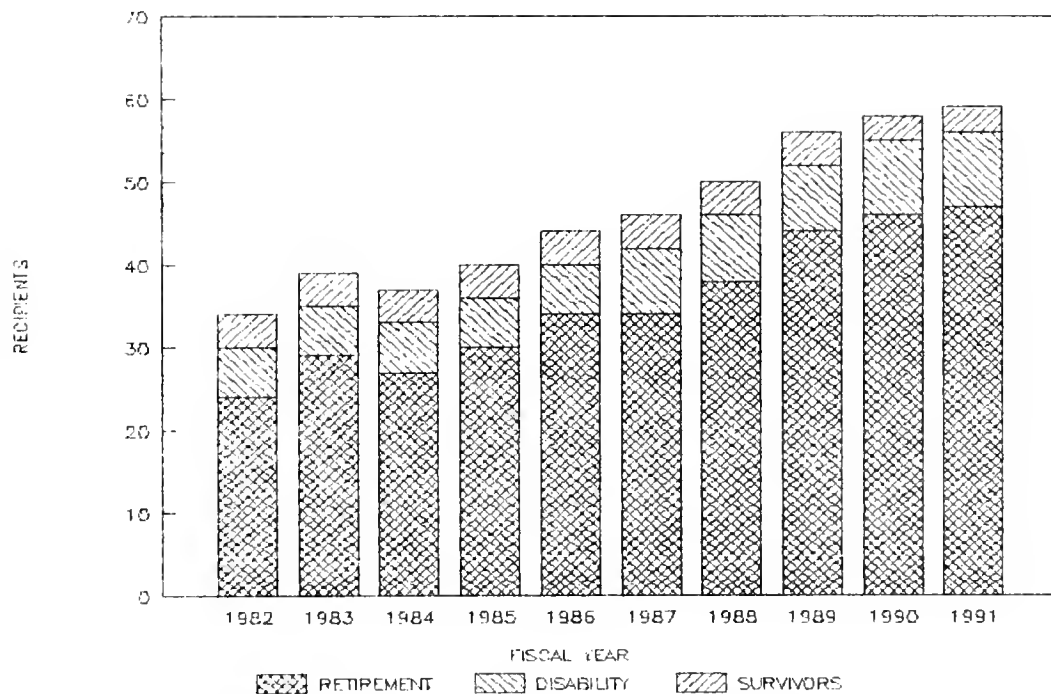
| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/82           | 90                    | 1                       | 91           |
| 06/30/83           | 97                    | 1                       | 98           |
| 06/30/84           | 87                    | 1                       | 88           |
| 06/30/85           | 86                    | 1                       | 87           |
| 06/30/86           | 85                    | 3                       | 88           |
| 06/30/87           | 84                    | 1                       | 85           |
| 06/30/88           | 86                    | 1                       | 87           |
| 06/30/89           | 80                    | 3                       | 83           |
| 06/30/90           | 89                    | 2                       | 91           |
| 06/30/91           | 91                    | 4                       | 95           |



**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <b>Fiscal<br/>Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|------------------------|-------------------|-------------------|------------------|--------------|
| 06/30/82               | 24                | 6                 | 4                | 34           |
| 06/30/83               | 29                | 6                 | 4                | 39           |
| 06/30/84               | 27                | 6                 | 4                | 37           |
| 06/30/85               | 30                | 6                 | 4                | 40           |
| 06/30/86               | 34                | 6                 | 4                | 44           |
| 06/30/87               | 34                | 8                 | 4                | 46           |
| 06/30/88               | 38                | 8                 | 4                | 50           |
| 06/30/89               | 44                | 8                 | 4                | 56           |
| 06/30/90               | 46                | 9                 | 3                | 58           |
| 06/30/91               | 47                | 9                 | 3                | 59           |

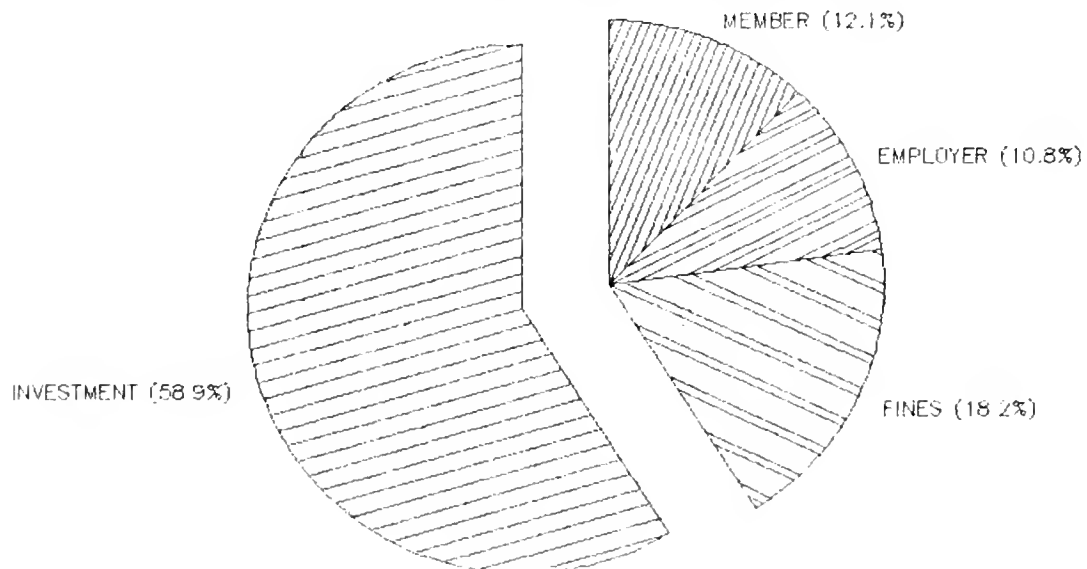


**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR | CONTRIBUTIONS |          | FINES   | INVESTMENT<br>INCOME | TOTAL     |
|----------------|---------------|----------|---------|----------------------|-----------|
|                | MEMBER        | EMPLOYER |         |                      |           |
| 06/30/82       | 122,325       | 123,305  | 194,425 | 334,662              | 774,717   |
| 06/30/83       | 161,460       | 163,389  | 233,833 | 409,524              | 968,206   |
| 06/30/84       | 154,959       | 157,626  | 272,841 | 496,613              | 1,082,039 |
| 06/30/85       | 151,341       | 153,074  | 260,860 | 589,449              | 1,154,724 |
| 06/30/86       | 177,302       | 158,392  | 221,265 | 787,657              | 1,344,616 |
| 06/30/87       | 193,279       | 172,155  | 218,582 | 737,861              | 1,321,877 |
| 06/30/88       | 246,066       | 170,626  | 221,358 | 848,892              | 1,486,942 |
| 06/30/89       | 227,577       | 177,998  | 236,930 | 929,032              | 1,571,537 |
| 06/30/90       | 203,877       | 252,561  | 207,232 | 929,652              | 1,593,322 |
| 06/30/91       | 196,239       | 175,548  | 295,346 | 957,919              | 1,625,052 |

**REVENUES FOR FISCAL YEAR 91**





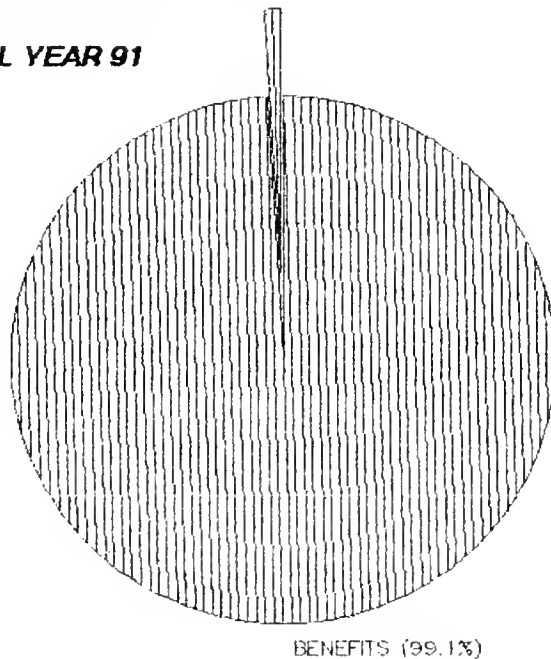
**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR  | BENEFITS       | REFUNDS      | ADMIN<br>EXPENSES* | OTHER**   | TOTAL          |
|-----------------|----------------|--------------|--------------------|-----------|----------------|
| 06/30/82        | 222,047        | 4,920        | 4,363              | 125,777   | 357,107        |
| 06/30/83        | 278,240        | 16           | 3,768              | (90)      | 281,934        |
| 06/30/84        | 298,787        | 325          | 4,510              | (1,763)   | 301,859        |
| 06/30/85        | 301,159        | 3,776        | 4,199              | (969)     | 308,165        |
| 06/30/86        | 383,440        | 16,353       | 5,192              | (4,536)   | 400,449        |
| 06/30/87        | 408,698        | 56,728       | 6,119              | 0         | 471,545        |
| 06/30/88        | 432,327        | 35,659       | 6,707              | (1,700)   | 472,993        |
| 06/30/89        | 544,591        | 49,590       | 3,971              | 30,445    | 628,597        |
| 06/30/90        | 685,390        | 1,287        | 3,965              | 9,278     | 699,920        |
| <b>06/30/91</b> | <b>717,300</b> | <b>2,113</b> | <b>4,645</b>       | <b>59</b> | <b>724,117</b> |

REFUNDS, ADMINISTRATIVE & OTHER (0.9%)

**EXPENSES FOR FISCAL YEAR 91**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS  
(In millions of dollars)**

| <b>FISCAL<br/>YEAR</b> | <b>NET ASSETS<br/>AVAILABLE<br/>FOR BENEFITS*</b> | <b>PENSION<br/>BENEFIT<br/>OBLIGATION</b> | <b>PERCENT<br/>FUNDED</b> | <b>UNFUNDED<br/>PBO</b> | <b>ANNUAL<br/>COVERED<br/>PAYROLL</b> | <b>UNFUNDED PBO<br/>AS A PERCENT OF<br/>COVERED PAYROLL</b> |
|------------------------|---------------------------------------------------|-------------------------------------------|---------------------------|-------------------------|---------------------------------------|-------------------------------------------------------------|
| 1988                   | \$9.0                                             | \$11.0                                    | 81.8%                     | \$2.0                   | \$2.2                                 | 90.9%                                                       |
| 1989                   | 9.9                                               | 12.0                                      | 82.5%                     | 2.1                     | 2.0                                   | 105.0%                                                      |
| 1990                   | 10.8                                              | 12.9                                      | 83.7%                     | 2.1                     | 2.2                                   | 95.5%                                                       |
| 1991                   | 11.7                                              | 13.5                                      | 86.9%                     | 1.8                     | 2.4                                   | 74.6%                                                       |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.

## **SHERIFFS' RETIREMENT SYSTEM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

***CONTRIBUTION RATES***

***MEMBERSHIP***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ANALYSIS OF FUNDING PROCESS***

**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$28,312            |
| Interest Receivable        | 628,049             |
| Accounts Receivable        | 354,918             |
| Corporate Securities       | 19,911,370          |
| U.S. Government Securities | 6,391,893           |
| Canadian Securities        | 1,039,860           |
| Short Term Investment Pool | 2,427,800           |
| Common Stock               | 5,315,086           |
| Leveraged Buy-Outs         | 439,592             |
| Deferred Gains And Losses  | 215,091             |
| <b>Total Assets</b>        | <b>\$36,751,971</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 13,349              |
| <b>Net Assets Available For Benefits</b> | <b>\$36,738,622</b> |

**FUND BALANCE**

|                                    |                     |
|------------------------------------|---------------------|
| Annuity Savings Reserve            | \$6,083,876         |
| Annuity Savings Interest Reserve   | 3,178,597           |
| Pension Accumulation Reserve       | 27,454,245          |
| Post Retirement Adjustment Reserve | 21,904              |
| <b>Total Fund Balance</b>          | <b>\$36,738,622</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                       | 1990                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$958,636                  | \$892,134                  |
| Employer                                | 989,827                    | 928,191                    |
| Interest Reserve Buyback                | 17,854                     | 26,024                     |
| Investment Income                       | 2,889,870                  | 2,834,455                  |
| Common Stock Dividends                  | 263,946                    | 178,249                    |
| <b>Total Revenues</b>                   | <u><u>\$5,120,133</u></u>  | <u><u>\$4,859,053</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$729,112                  | \$564,657                  |
| Refund of Member Contributions          | 394,350                    | 323,484                    |
| Interest On Refunds                     | 139,800                    | 132,759                    |
| Employer Refund                         | 6,224                      | 36,910                     |
| Administrative Expense                  | 13,055                     | 11,675                     |
| Investment Expense                      | 3,803                      | 4,050                      |
| <b>Total Expenses</b>                   | <u><u>\$1,286,345</u></u>  | <u><u>\$1,073,534</u></u>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | (\$4,233)                  | (\$10,166)                 |
| Excess Of Revenues Over Expenses        | 3,829,555                  | 3,775,353                  |
| Fund Balance Beginning Of Year          | 32,909,067                 | 29,133,714                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$36,738,622</u></u> | <u><u>\$32,909,067</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$3,829,555        |
| <b>Total Resources Provided</b> | <b>\$3,829,555</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | 3,829,555          |
| <b>Total Resources Used</b>     | <b>\$3,829,555</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | YEAR ENDED JUNE 30  |                     | INCREASE           |
|----------------------------------|---------------------|---------------------|--------------------|
|                                  | 1991                | 1990                | (DECREASE)         |
| <b>CURRENT ASSETS:</b>           |                     |                     |                    |
| Cash                             | \$28,312            | \$59,880            | (\$31,568)         |
| Accrued Interest                 | 628,049             | 692,895             | (64,846)           |
| Accrued Contributions            | 354,918             | 124,841             | 230,077            |
| Deferred Gains And Losses        | 215,091             | 237,420             | (22,329)           |
| Investments:                     |                     |                     |                    |
| Federal Securities               | 3,946,302           | 3,659,599           | 286,703            |
| Corporate Securities             | 21,909,056          | 21,694,166          | 214,890            |
| Short Term Investment Pool       | 2,427,800           | 2,733,700           | (305,900)          |
| Common Stock                     | 5,315,086           | 2,681,835           | 2,633,251          |
| Securities On Loan               | 1,927,357           | 1,040,260           | 887,097            |
| <b>Total Current Assets</b>      | <b>\$36,751,971</b> | <b>\$32,924,596</b> | <b>\$3,827,375</b> |
| <b>CURRENT LIABILITIES:</b>      |                     |                     |                    |
| Accrued Expenses                 | 13,349              | 15,529              | (2,180)            |
| <b>Total Current Liabilities</b> | <b>\$13,349</b>     | <b>\$15,529</b>     | <b>(\$2,180)</b>   |
| <b>WORKING CAPITAL</b>           | <b>\$36,738,622</b> | <b>\$32,909,067</b> | <b>\$3,829,555</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Sheriffs' Retirement System (SRS) is a statewide defined benefit retirement plan established in 1974 for Montana sheriffs, undersheriffs, and regularly appointed deputy sheriffs. The SRS is a multiple-employer, cost-sharing benefit plan.

**Membership Data**

**Active Employee Members**

| <u>County Employers</u> | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|-------------------------|----------------------|----------------------|
| Beaverhead              | 6                    | 7                    |
| Big Horn                | 15                   | 15                   |
| Blaine                  | 5                    | 5                    |
| Broadwater              | 6                    | 6                    |
| Carbon                  | 6                    | 6                    |
| Carter                  | 2                    | 2                    |
| Cascade                 | 31                   | 29                   |
| Choteau                 | 9                    | 9                    |
| Custer                  | 5                    | 4                    |
| Daniels                 | 3                    | 2                    |
| Dawson                  | 6                    | 7                    |
| Fallon                  | 2                    | 2                    |
| Fergus                  | 9                    | 9                    |
| Flathead                | 28                   | 31                   |
| Gallatin                | 27                   | 27                   |
| Garfield                | 2                    | 3                    |
| Glacier                 | 9                    | 9                    |
| Golden Valley           | 2                    | 3                    |
| Granite                 | 3                    | 4                    |
| Hill                    | 9                    | 7                    |
| Jefferson               | 8                    | 9                    |
| Judith Basin            | 3                    | 3                    |
| Lake                    | 12                   | 13                   |
| Lewis & Clark           | 23                   | 24                   |
| Liberty                 | 4                    | 4                    |
| Lincoln                 | 20                   | 22                   |
| Madison                 | 7                    | 8                    |
| McCone                  | 3                    | 3                    |
| Meagher                 | 3                    | 3                    |
| Mineral                 | 5                    | 4                    |
| Missoula                | 41                   | 38                   |
| Musselshell             | 6                    | 6                    |
| Park                    | 14                   | 16                   |

**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

|                                     |            |            |
|-------------------------------------|------------|------------|
| Petroleum                           | 1          | 1          |
| Phillips                            | 7          | 8          |
| Pondera                             | 8          | 7          |
| Powder River                        | 4          | 4          |
| Prairie                             | 2          | 2          |
| Ravalli                             | 15         | 15         |
| Richland                            | 6          | 7          |
| Roosevelt                           | 16         | 19         |
| Rosebud                             | 15         | 14         |
| Sanders                             | 7          | 7          |
| Sheridan                            | 7          | 7          |
| Silver Bow                          | 1          | 1          |
| Stillwater                          | 7          | 6          |
| Sweet Grass                         | 4          | 4          |
| Teton                               | 7          | 7          |
| Toole                               | 11         | 11         |
| Treasure                            | 2          | 2          |
| Valley                              | 23         | 9          |
| Wheatland                           | 4          | 4          |
| Wibaux                              | 2          | 3          |
| Yellowstone                         | <u>42</u>  | <u>44</u>  |
| Total Active                        | <u>525</u> | <u>522</u> |
| <b>Inactive Employee Members</b>    |            |            |
| Vested                              | 15         | 5          |
| Non-vested                          | <u>48</u>  | <u>39</u>  |
| Total Inactive                      | <u>63</u>  | <u>44</u>  |
| <b>Retirees &amp; Beneficiaries</b> |            |            |
| Retirees                            | 54         | 51         |
| Disabilities                        | 28         | 23         |
| Survivors                           | <u>11</u>  | <u>11</u>  |
| Total                               | <u>93</u>  | <u>85</u>  |

**2. Plan Benefits**

a. Pension Benefits

A member initially elected or appointed before July 1, 1989 may retire with a regular service retirement benefit after completing 25 years of credited service. A member initially elected or appointed on or after July 1, 1989 may retire after both serving



**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

at least 25 years and attaining the minimum service retirement age of 50. The retirement benefit is payable monthly for the life of the retiree (and under options, for the lifetime of a survivor). The retirement benefit is calculated as follows:

- 1) For retirements with up to 25 years service:

$2\% \times \text{Years of Service} \times \text{Final Salary}$

- 2) Over 25 years of service:

$50\% \text{ of Final Salary} + 1.35\% \times \text{Final Salary} \times \text{Years of Service over 24}$   
(Maximum benefit is 60% of Final Salary)

A member's final salary is the average of the member's salary during the highest consecutive 36 months of credited service.

After completing 15 years of credited service and attaining age 50, a member may retire on an early retirement benefit, which is actuarially reduced to reflect the early retirement.

b. Deferred Benefit

A vested member (one who has completed ten years of service) who involuntarily leaves covered employment before attaining early retirement age becomes eligible for a deferred benefit at age 55, provided the member leaves his accumulated contributions on deposit.

c. Disability Benefit

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The benefit is calculated as follows:

- 1) for members disabled in the line of duty, one-half of final salary,
- 2) for members disabled not in the line of duty, the actuarial equivalent of the service retirement annuity based on age and service credits at time of retirement.

d. Death Benefit

Upon the death of an active member prior to retirement, the beneficiary is entitled to elect one of the following benefits:

**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

- 1) a lump sum equal to the total accumulated contributions, including interest, or
  - 2) a monthly benefit calculated as follows:  
2% X Final Salary X Years of Service (up to 24 years), actuarially reduced from either age 65 or 24 years of service, whichever would produce the higher benefit, or
  - 3) if the member dies from duty related causes,  
50% X Final Salary (reduced to 25% X Final Salary for the period the beneficiary receives workers compensation benefits).
- e. Benefit Enhancements after Retirement  
Prior to June 30, 1989, benefit enhancements had been granted by legislatures on an ad-hoc basis. The 1989 Legislature instituted an automatic post retirement adjustment process which funds permanent benefit increases from investment earnings over the actuarially required 8% yield.

**3. Funding Requirements**

- a. Member Contributions  
Member contribution rates are 7 percent of salary and are deducted from members' salaries and remitted by county employers on a monthly basis. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.
- b. Employer Contributions  
Each county contributes 7.67 percent of total monthly payroll for covered employees.

**B. Actuarial Cost Method**

Refer to the Actuarial Section.

**C. Funding Requirement Determinations and Actual Contributions**

The statutorily set contribution rate of 14.67% (employer and member) funds the normal cost contribution rate of 14.67%. The system has no unfunded liability. Employer and member contributions for the year totaled \$1,948,463.

**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**D. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**2. Valuation of Investments**

The following is the listing of investments at fiscal year end:

| <u>TYPE</u>                | <u>COST</u>   | <u>MARKET</u> |
|----------------------------|---------------|---------------|
| Corporate Securities       | \$ 19,911,370 | \$ 19,652,211 |
| US Government Securities   | 6,391,893     | 6,538,508     |
| Canadian Securities        | 1,039,860     | 1,203,549     |
| Short Term Investment Pool | 2,427,800     | 2,427,800     |
| Mont-Comp (Common Stock)   | 5,315,086     | 7,772,478     |
| Leveraged Buy-Outs         | 439,592       | 540,960       |
| Total Investments          | \$ 35,525,601 | \$ 38,135,506 |

See Appendix for investment policies as these policies are standard for all funds.



**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b>  | <b>EXPENSES</b>  | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|------------------|------------------|-----------------------------|---------------------------------|
| 06/30/82               | 2,106,895        | 493,701          | 1,613,194                   | 8,629,930                       |
| 06/30/83               | 2,529,686        | 359,632          | 2,170,054                   | 10,799,984                      |
| 06/30/84               | 2,921,157        | 502,868          | 2,418,289                   | 13,218,273                      |
| 06/30/85               | 3,331,878        | 488,369          | 2,843,509                   | 16,061,782                      |
| 06/30/86               | 4,085,507        | 666,653          | 3,418,854                   | 19,480,636                      |
| 06/30/87               | 3,979,507        | 980,890          | 2,998,617                   | 22,479,253                      |
| 06/30/88               | 4,146,120        | 897,992          | 3,248,128                   | 25,727,381                      |
| 06/30/89               | 4,477,553        | 1,071,220        | 3,406,333                   | 29,133,714                      |
| 06/30/90               | 4,859,053        | 1,083,700        | 3,775,353                   | 32,909,067                      |
| <b>06/30/91</b>        | <b>5,120,133</b> | <b>1,290,578</b> | <b>3,829,555</b>            | <b>36,738,622</b>               |

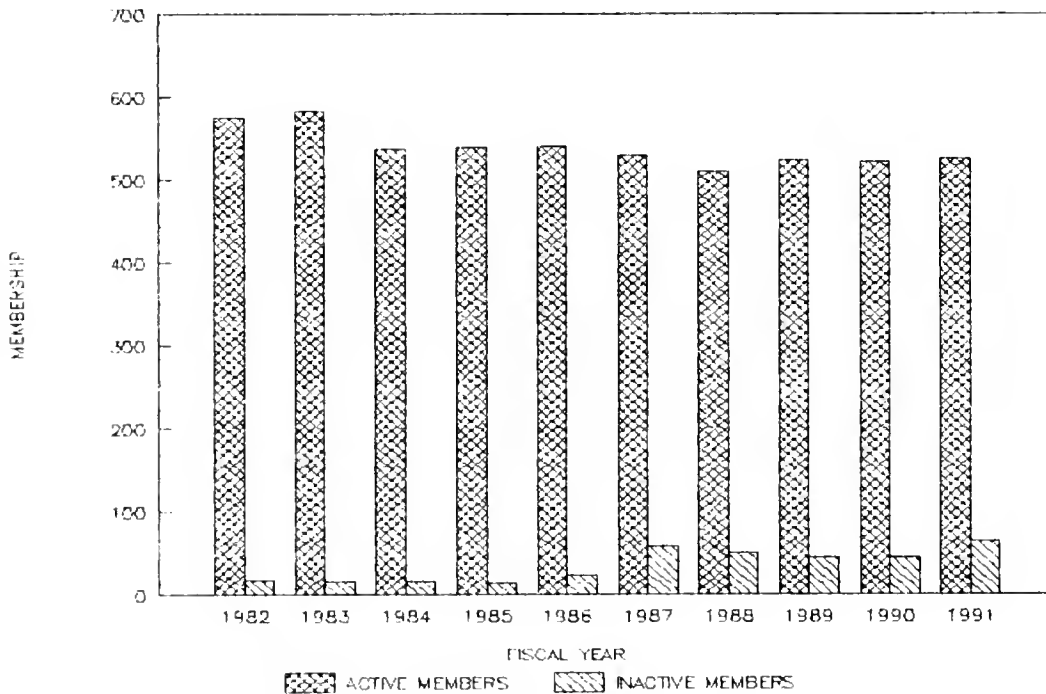
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979-1981              | 7.00                        | 7.55                        |
| 1982-1985              | 7.00                        | 7.62                        |
| <b>1986-1991</b>       | <b>7.00</b>                 | <b>7.67</b>                 |

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**MEMBERSHIP**

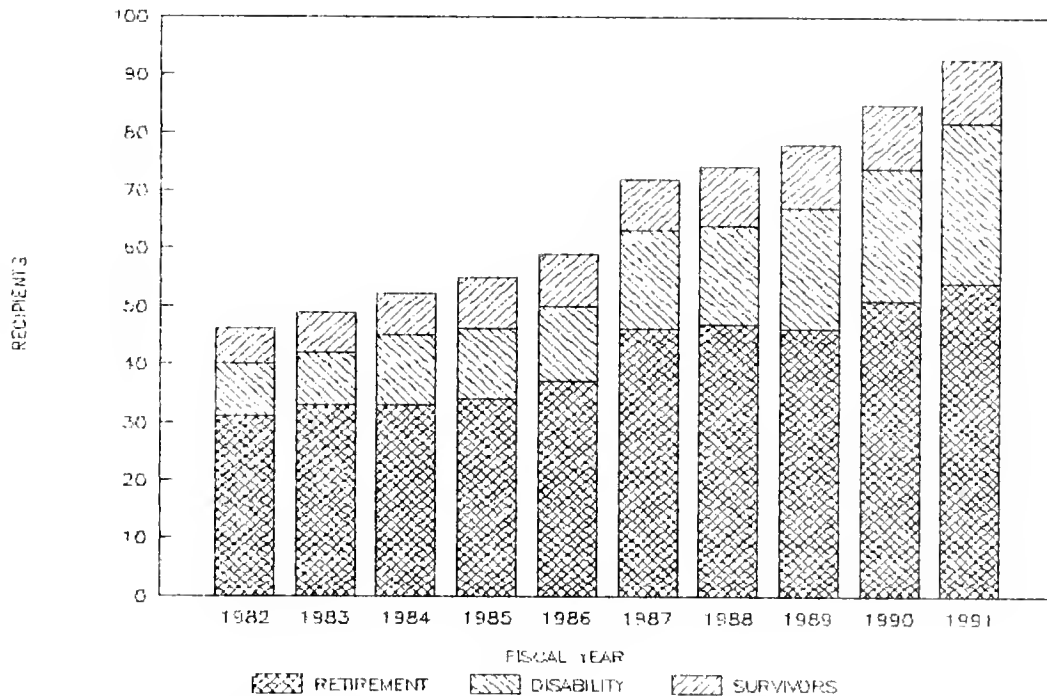
| <b>Fiscal<br/>Year</b> | <b>Active<br/>Members</b> | <b>Inactive<br/>Members</b> | <b>Total</b> |
|------------------------|---------------------------|-----------------------------|--------------|
| 06/30/82               | 575                       | 16                          | 591          |
| 06/30/83               | 584                       | 15                          | 599          |
| 06/30/84               | 537                       | 14                          | 551          |
| 06/30/85               | 539                       | 13                          | 552          |
| 06/30/86               | 541                       | 22                          | 563          |
| 06/30/87               | 530                       | 58                          | 588          |
| 06/30/88               | 509                       | 50                          | 559          |
| 06/30/89               | 523                       | 44                          | 567          |
| 06/30/90               | 522                       | 44                          | 566          |
| <b>06/30/91</b>        | <b>525</b>                | <b>63</b>                   | <b>588</b>   |



**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| Fiscal<br>Year | Retirement | Disability | Survivors | Total |
|----------------|------------|------------|-----------|-------|
| 06/30/82       | 31         | 9          | 6         | 46    |
| 06/30/83       | 33         | 9          | 7         | 49    |
| 06/30/84       | 33         | 12         | 7         | 52    |
| 06/30/85       | 34         | 12         | 9         | 55    |
| 06/30/86       | 37         | 13         | 9         | 59    |
| 06/30/87       | 46         | 17         | 9         | 72    |
| 06/30/88       | 47         | 17         | 10        | 74    |
| 06/30/89       | 46         | 21         | 11        | 78    |
| 06/30/90       | 51         | 23         | 11        | 85    |
| 06/30/91       | 54         | 28         | 11        | 93    |

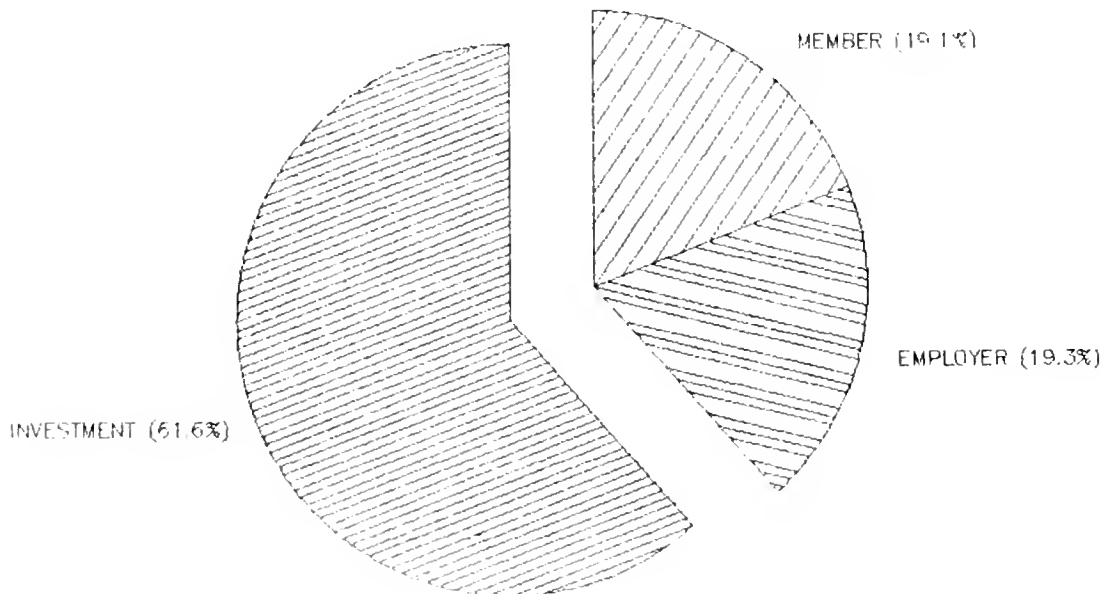


**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR  | MEMBER<br>CONTRIBUTIONS | EMPLOYER<br>CONTRIBUTIONS | INVESTMENT<br>INCOME | TOTAL            |
|-----------------|-------------------------|---------------------------|----------------------|------------------|
| 06/30/82        | 620,032                 | 668,628                   | 818,235              | 2,106,895        |
| 06/30/83        | 699,752                 | 749,132                   | 1,080,802            | 2,529,686        |
| 06/30/84        | 752,392                 | 805,584                   | 1,363,181            | 2,921,157        |
| 06/30/85        | 784,899                 | 842,733                   | 1,704,246            | 3,331,878        |
| 06/30/86        | 822,921                 | 892,416                   | 2,370,170            | 4,085,507        |
| 06/30/87        | 836,232                 | 890,441                   | 2,252,834            | 3,979,507        |
| 06/30/88        | 780,521                 | 839,509                   | 2,526,090            | 4,146,120        |
| 06/30/89        | 833,357                 | 871,136                   | 2,764,330            | 4,468,823        |
| 06/30/90        | 918,158                 | 928,191                   | 3,012,704            | 4,859,053        |
| <b>06/30/91</b> | <b>976,490</b>          | <b>989,827</b>            | <b>3,153,816</b>     | <b>5,120,133</b> |

**REVENUES FOR FISCAL YEAR 91**



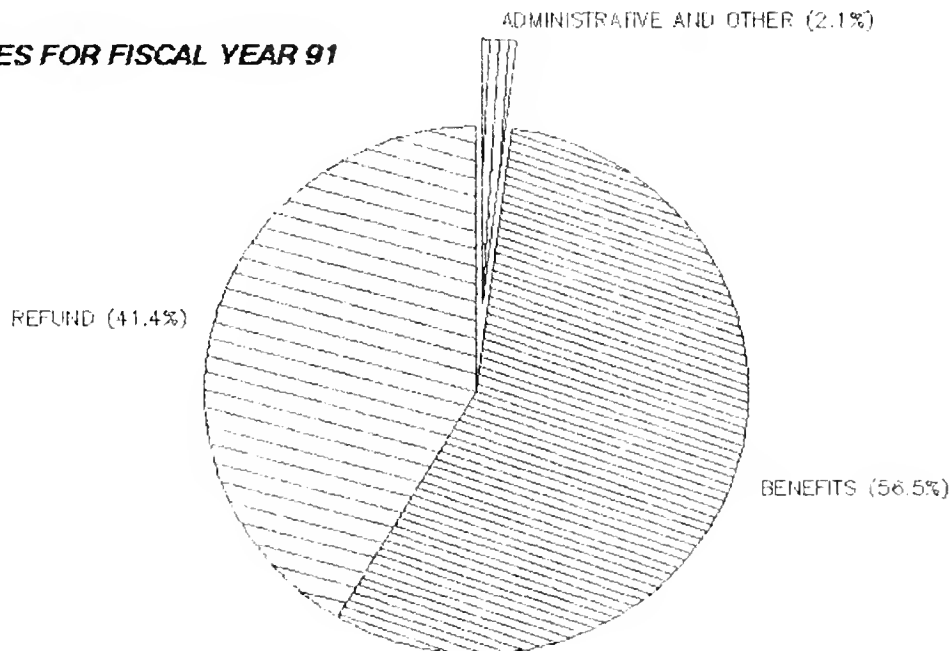


**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR | BENEFITS | REFUNDS | ADMIN<br>EXPENSES* | OTHER**  | TOTAL     |
|----------------|----------|---------|--------------------|----------|-----------|
| 06/30/82       | 184,406  | 270,425 | 12,419             | 26,451   | 493,701   |
| 06/30/83       | 204,439  | 136,442 | 11,957             | 6,794    | 359,632   |
| 06/30/84       | 222,818  | 278,658 | 16,119             | (14,727) | 502,868   |
| 06/30/85       | 242,054  | 219,951 | 14,992             | 11,372   | 488,369   |
| 06/30/86       | 306,424  | 308,047 | 17,824             | 34,358   | 666,653   |
| 06/30/87       | 383,982  | 577,233 | 19,675             | 0        | 980,890   |
| 06/30/88       | 440,142  | 415,918 | 18,977             | 22,955   | 897,992   |
| 06/30/89       | 465,958  | 561,415 | 15,318             | 28,529   | 1,071,220 |
| 06/30/90       | 564,657  | 456,243 | 15,725             | 47,075   | 1,083,700 |
| 06/30/91       | 729,112  | 534,151 | 16,859             | 10,456   | 1,290,578 |

**EXPENSES FOR FISCAL YEAR 91**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS**  
*(In millions of dollars)*

| FISCAL<br>YEAR | NET ASSETS<br>AVAILABLE<br>FOR BENEFITS* | PENSION<br>BENEFIT<br>OBLIGATION | PERCENT<br>FUNDED | UNFUNDED<br>PBO | ANNUAL<br>COVERED<br>PAYROLL | UNFUNDED PBO<br>AS A PERCENT OF<br>COVERED PAYROLL |
|----------------|------------------------------------------|----------------------------------|-------------------|-----------------|------------------------------|----------------------------------------------------|
| 1988           | \$25.7                                   | \$18.3                           | 140.4%            | (\$7.4)         | \$11.2                       | -66.1%                                             |
| 1989           | 29.1                                     | 20.5                             | 142.0%            | -8.6            | 11.3                         | -76.1%                                             |
| 1990           | 32.9                                     | 23.7                             | 138.8%            | -9.2            | 11.8                         | -78.0%                                             |
| 1991           | 36.7                                     | 26.8                             | 137.2%            | -10.0           | 11.6                         | -85.9%                                             |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.

## **JUDGES' RETIREMENT SYSTEM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

***CONTRIBUTION RATES***

***MEMBERSHIP***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ANALYSIS OF FUNDING PROCESS***

**STATE OF MONTANA**  
**JUDGES' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$31,904            |
| Interest Receivable        | 243,086             |
| Accounts Receivable        | 53,034              |
| Mortgages                  | 11,244              |
| Corporate Securities       | 6,141,462           |
| U.S. Government Securities | 2,593,779           |
| Canadian Securities        | 857,295             |
| Short Term Investment Pool | 1,584,100           |
| Common Stock               | 2,560,531           |
| Leveraged Buy-Outs         | 219,797             |
| Deferred Gains And Losses  | 132,964             |
| <b>Total Assets</b>        | <b>\$14,429,196</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 1,846               |
| <b>Net Assets Available For Benefits</b> | <b>\$14,427,350</b> |

**FUND BALANCE**

|                                  |                     |
|----------------------------------|---------------------|
| Annuity Savings Reserve          | \$1,133,545         |
| Annuity Savings Interest Reserve | 729,310             |
| Pension Accumulation Reserve     | 12,564,495          |
| <b>Total Fund Balance</b>        | <b>\$14,427,350</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                       | 1990                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$161,272                  | \$151,873                  |
| Employer                                | 137,621                    | 130,781                    |
| Investment Income                       | 1,077,083                  | 1,048,586                  |
| Common Stock Dividends                  | 133,309                    | 106,448                    |
| Court Fees                              | 556,251                    | 546,411                    |
| <b>Total Revenues</b>                   | <u><u>\$2,065,536</u></u>  | <u><u>\$1,984,100</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$573,762                  | \$568,382                  |
| Refund Of Member Contributions          | 0                          | 27,542                     |
| Interest On Refunds                     | 0                          | 14,307                     |
| Employer Refund                         | 0                          | 114                        |
| Administrative Expense                  | 1,741                      | 1,309                      |
| Investment Expense                      | 1,403                      | 1,479                      |
| <b>Total Expenses</b>                   | <u><u>\$576,906</u></u>    | <u><u>\$613,132</u></u>    |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | (\$3,182)                  | (\$352)                    |
| Excess Of Revenues Over Expenses        | 1,485,448                  | 1,370,616                  |
| Fund Balance Beginning Of Year          | 12,941,902                 | 11,571,286                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$14,427,350</u></u> | <u><u>\$12,941,902</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$1,485,448        |
| <b>Total Resources Provided</b> | <b>\$1,485,448</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | \$1,485,448        |
| <b>Total Resources Used</b>     | <b>\$1,485,448</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | YEAR ENDED JUNE 30  |                     | INCREASE           |
|----------------------------------|---------------------|---------------------|--------------------|
|                                  | 1991                | 1990                | (DECREASE)         |
| <b>CURRENT ASSETS:</b>           |                     |                     |                    |
| Cash                             | \$31,904            | \$19,009            | \$12,895           |
| Accrued Interest                 | 243,086             | 260,040             | (16,954)           |
| Accrued Contributions            | 53,034              | 87,509              | (34,475)           |
| Deferred Gains And Losses        | 132,964             | 146,333             | (13,369)           |
| Investments:                     |                     |                     |                    |
| Mortgages                        | 11,244              | 12,596              | (1,352)            |
| Federal Securities               | 1,326,317           | 1,369,708           | (43,391)           |
| Corporate Securities             | 7,458,031           | 7,816,739           | (358,707)          |
| Short Term Investment Pool       | 1,584,100           | 1,377,300           | 206,800            |
| Common Stock                     | 2,560,531           | 1,316,562           | 1,243,969          |
| Securities On Loan               | 1,027,985           | 537,622             | 490,363            |
| <b>Total Current Assets</b>      | <b>\$14,429,196</b> | <b>\$12,943,419</b> | <b>\$1,485,777</b> |
| <b>CURRENT LIABILITIES:</b>      |                     |                     |                    |
| Accrued Expenses                 | 1,846               | 1,517               | 329                |
| <b>Total Current Liabilities</b> | <b>\$1,846</b>      | <b>\$1,517</b>      | <b>\$329</b>       |
| <b>WORKING CAPITAL</b>           | <b>\$14,427,350</b> | <b>\$12,941,902</b> | <b>\$1,485,448</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Judges' Retirement System (JRS) is a statewide defined benefit retirement plan established in 1967 for all Montana judges of the district courts and justices of the Supreme Court. The JRS is a single-employer, cost-sharing plan.

**Membership Data**

| <u>Employer &amp; Active Members</u> | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|--------------------------------------|----------------------|----------------------|
| <b>Active</b>                        |                      |                      |
| State                                | <u>43</u>            | <u>43</u>            |
| Total Active                         | <u>43</u>            | <u>43</u>            |
|                                      | <u>==</u>            | <u>==</u>            |
| <b>Inactive</b>                      |                      |                      |
| Vested                               | 5                    | 4                    |
| Non-Vested                           | <u>0</u>             | <u>0</u>             |
| Total Inactive                       | <u>5</u>             | <u>4</u>             |
|                                      | <u>==</u>            | <u>==</u>            |
| <b>Retirees &amp; Beneficiaries</b>  |                      |                      |
| Retirees                             | 25                   | 20                   |
| Disabilities                         | 5                    | 5                    |
| Survivors                            | <u>1</u>             | <u>1</u>             |
| Total                                | <u>31</u>            | <u>26</u>            |
|                                      | <u>==</u>            | <u>==</u>            |

**2. Plan Benefits**

- a. A member may retire with a retirement benefit after completing five years of credited service and attaining the minimum service retirement age of 65. The retirement benefit is payable monthly for the life of the retiree (or, at the member's option, upon the retiree's death to his designated beneficiary). The annuity is equal to:

$$\begin{aligned} & 3 \frac{1}{3}\% \times \text{Years of Service (up to 15)} \times \text{Final Salary} \\ & \text{plus } 1\% \times \text{Years of Service (over 15)} \times \text{Final Salary} \end{aligned}$$

(Final Salary is the current annual salary for the office from which the member retired.)

A member who is involuntarily discontinued from service after at least five years of membership service (but before age 65) is eligible for an actuarially reduced retirement benefit beginning

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

immediately after termination from service. If the member, elected or appointed to office prior to July 1, 1983, has at least 12 years of service when involuntarily discontinued he is eligible for an unreduced retirement benefit beginning immediately after termination from service.

b. Deferred Benefit

A vested member (one who has completed five years of membership) voluntarily leaving covered employment before attaining retirement age is eligible for a monthly benefit upon reaching age 65, provided his accumulated contributions are left on deposit.

c. Death and Disability Benefits

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The disability benefit is the actuarial equivalent of the service retirement benefit based on the member's current age. However, if the disability is duty related, the disability benefit may be no less than one-half the final salary.

Upon the duty-related death of an active member, his surviving beneficiary will receive a monthly annuity equal to the total service retirement benefit earned by the member at the time of death. In the case of an active member's death for other causes, the designated beneficiary will receive an annuity which is the actuarial equivalent of the involuntary retirement benefit described earlier.

d. Benefit Enhancements after Retirement

Since "final salary" used in the calculation of the monthly benefit is defined as the "current annual salary" for the office from which the member retired, each time the legislature increases the statutory salaries for active judges, benefits of retired judges (or eligible survivors) increase.

**3. Funding Requirements**

a. Member Contributions

Member contribution rates are established by statute at 7 percent (members elected after July 1, 1983) of salary and are deducted from each member's salary and remitted by the employer. An individual account is established for member's contributions and interest allocations until a retirement or refund request is processed.



**STATE OF MONTANA**  
**JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

b. **Employer Contributions**

The State contributes 6 percent of the total payroll for member judges and justices.

c. **Court Fees**

From district court fees transmitted to the state by clerks of the district courts, the state is required to contribute an amount equal to 31% of member salaries. In addition, 25% of supreme court fees are paid to the fund.

**B. District Court Fee's Contributions**

Currently, district court fees have not generated the revenue needed to deposit 31% of all active judges salaries into the JRS as required by 19-5-404 MCA. Legislation passed to increase the percent of salaries paid from district court fees from 31% to 34.71% effective July 1, 1991. As of June 30, 1991 the funding shortfall in district court fees amounted to \$866,655.51. The actual district court fees for fiscal year ending June 30, 1991 provided less than 24% of all active judges salaries. At the present time, the JRS is able to meet all current obligations, but if the continued funding shortfall is not addressed, the long term actuarial soundness of the JRS may be affected.

**C. Actuarial Cost Method**

Refer to the Actuarial Section for standard actuarial cost methods.

**D. Funding Requirement Determinations and Actual Contributions**

The aggregate contribution rate of 44% (employer, member, and district court fees) funds the normal cost contribution rate of 41.26%. The 2.74% difference is applied to amortize unfunded liability of the system. Employer and member contributions (including court fees) for the year totaled \$855,144.

**E. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. Valuation of Investments**

The following is the listing of investments at fiscal year end:

| <u>TYPE</u>              |    | <u>COST</u>       |    | <u>MARKET</u>     |
|--------------------------|----|-------------------|----|-------------------|
| Mortgages                | \$ | 11,244            | \$ | 11,244            |
| Corporate Securities     |    | 6,141,462         |    | 5,948,187         |
| US Govt Securities       |    | 2,593,779         |    | 2,642,668         |
| STIP                     |    | 1,584,100         |    | 1,584,100         |
| Mont-Comp (Common Stock) |    | 2,560,531         |    | 3,931,829         |
| Leveraged Buy-Outs       |    | 219,797           |    | 270,483           |
| Total Investments        | \$ | <u>13,968,208</u> | \$ | <u>15,323,193</u> |

See Appendix for investment policies as these policies are standard for all funds.

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b>  | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|------------------|-----------------|-----------------------------|---------------------------------|
| 06/30/82               | 843,507          | 238,013         | 605,494                     | 3,908,270                       |
| 06/30/83               | 1,001,254        | 261,704         | 739,550                     | 4,647,820                       |
| 06/30/84               | 1,315,396        | 414,070         | 901,326                     | 5,549,146                       |
| 06/30/85               | 1,486,109        | 420,788         | 1,065,321                   | 6,614,467                       |
| 06/30/86               | 1,606,206        | 451,163         | 1,155,043                   | 7,769,510                       |
| 06/30/87               | 1,678,660        | 442,168         | 1,236,492                   | 9,006,002                       |
| 06/30/88               | 1,653,856        | 453,033         | 1,200,823                   | 10,206,825                      |
| 06/30/89               | 1,829,743        | 465,282         | 1,364,461                   | 11,571,286                      |
| 06/30/90               | 1,984,100        | 613,484         | 1,370,616                   | 12,941,902                      |
| <b>06/30/91</b>        | <b>2,065,536</b> | <b>580,088</b>  | <b>1,485,448</b>            | <b>14,427,350</b>               |

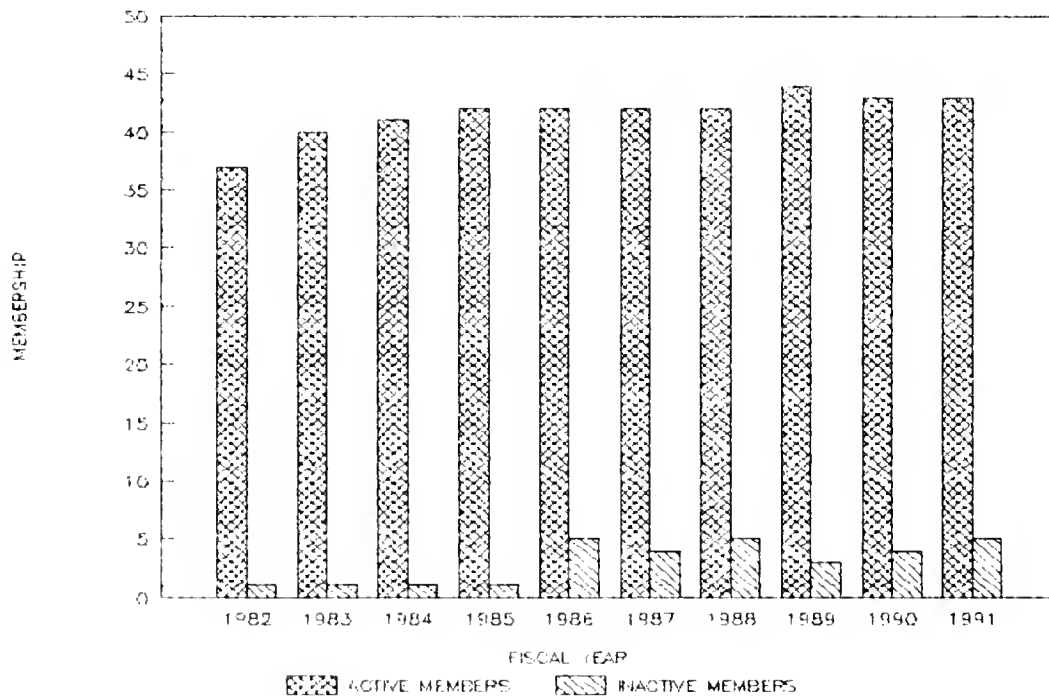
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979-1983              | 6.00                        | 6.00                        |
| <b>1984-1991</b>       | <b>6.00/7.00</b>            | <b>6.00</b>                 |
| 1992                   | 7.00                        | 6.00                        |

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**MEMBERSHIP**

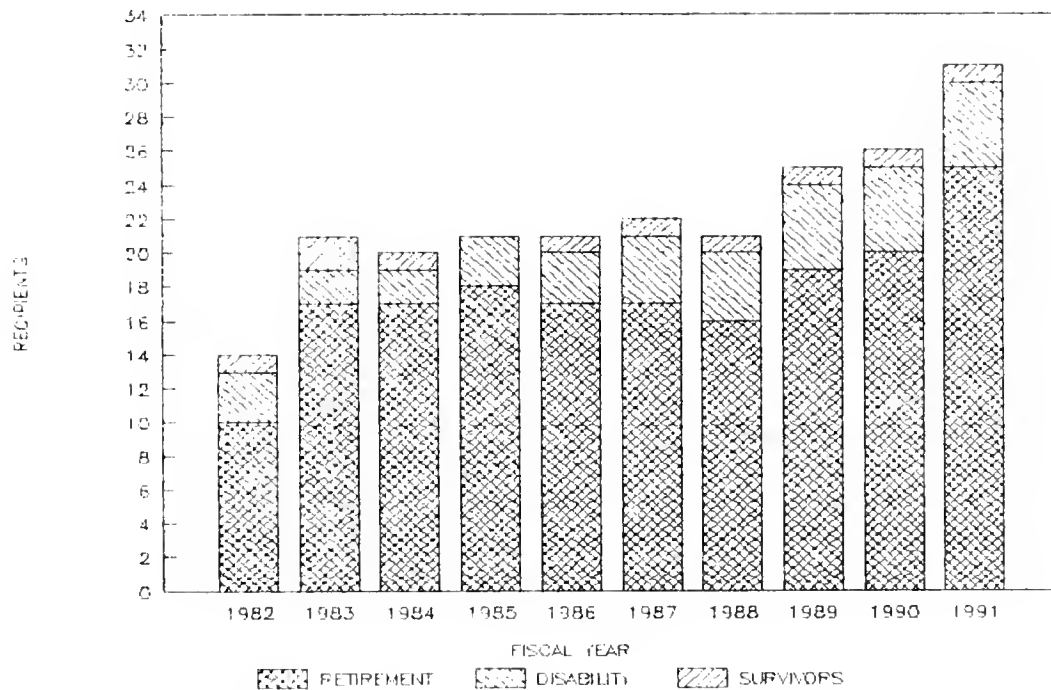
| Fiscal Year     | Active Members | Inactive Members | Total     |
|-----------------|----------------|------------------|-----------|
| 06/30/82        | 37             | 1                | 38        |
| 06/30/83        | 40             | 1                | 41        |
| 06/30/84        | 41             | 1                | 42        |
| 06/30/85        | 42             | 1                | 43        |
| 06/30/86        | 42             | 5                | 47        |
| 06/30/87        | 42             | 4                | 46        |
| 06/30/88        | 42             | 5                | 47        |
| 06/30/89        | 44             | 3                | 47        |
| 06/30/90        | 43             | 4                | 47        |
| <b>06/30/91</b> | <b>43</b>      | <b>5</b>         | <b>48</b> |



**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <b>Fiscal<br/>Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|------------------------|-------------------|-------------------|------------------|--------------|
| 06/30/82               | 10                | 3                 | 1                | 14           |
| 06/30/83               | 17                | 2                 | 2                | 21           |
| 06/30/84               | 17                | 2                 | 1                | 20           |
| 06/30/85               | 18                | 3                 | 0                | 21           |
| 06/30/86               | 17                | 3                 | 1                | 21           |
| 06/30/87               | 17                | 4                 | 1                | 22           |
| 06/30/88               | 16                | 4                 | 1                | 21           |
| 06/30/89               | 19                | 5                 | 1                | 25           |
| 06/30/90               | 20                | 5                 | 1                | 26           |
| <b>06/30/91</b>        | <b>25</b>         | <b>5</b>          | <b>1</b>         | <b>31</b>    |

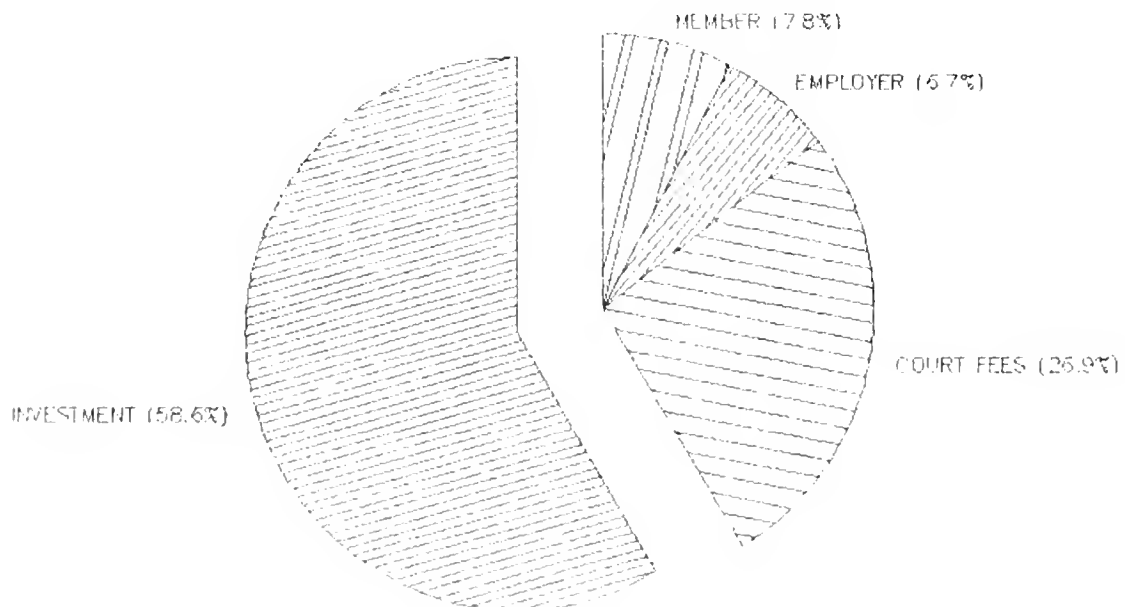


**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR  | CONTRIBUTIONS  |                | COURT<br>FEES  | INVESTMENT<br>INCOME | TOTAL            |
|-----------------|----------------|----------------|----------------|----------------------|------------------|
|                 | MEMBER         | EMPLOYER       |                |                      |                  |
| 06/30/82        | 91,783         | 91,783         | 305,844        | 354,097              | 843,507          |
| 06/30/83        | 102,936        | 102,936        | 359,719        | 435,663              | 1,001,254        |
| 06/30/84        | 109,392        | 113,333        | 567,151        | 525,520              | 1,315,396        |
| 06/30/85        | 119,603        | 117,331        | 608,812        | 640,363              | 1,486,109        |
| 06/30/86        | 127,395        | 125,992        | 523,060        | 829,759              | 1,606,206        |
| 06/30/87        | 126,818        | 122,602        | 549,873        | 879,367              | 1,678,660        |
| 06/30/88        | 128,182        | 123,595        | 449,862        | 952,217              | 1,653,856        |
| 06/30/89        | 131,317        | 124,390        | 513,274        | 1,060,762            | 1,829,743        |
| 06/30/90        | 151,873        | 130,781        | 546,411        | 1,155,035            | 1,984,100        |
| <b>06/30/91</b> | <b>161,272</b> | <b>137,621</b> | <b>556,251</b> | <b>1,210,391</b>     | <b>2,065,536</b> |

**REVENUES FOR FISCAL YEAR 91**



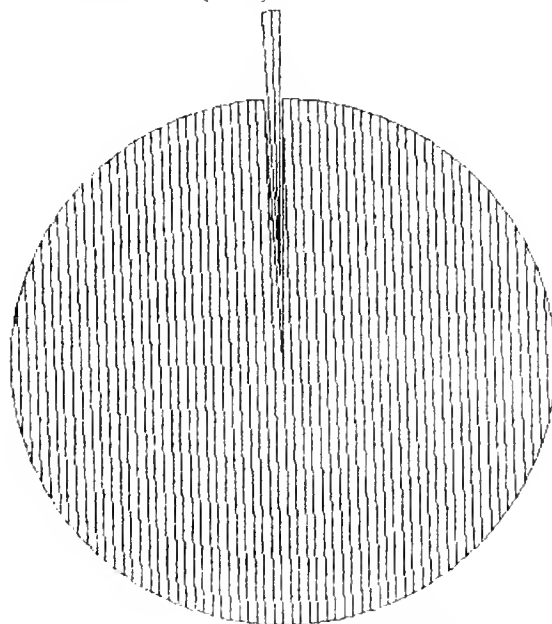
**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR | BENEFITS | REFUNDS | ADMIN<br>EXPENSES* | OTHER**  | TOTAL   |
|----------------|----------|---------|--------------------|----------|---------|
| 06/30/82       | 233,736  | 0       | 3,677              | 600      | 238,013 |
| 06/30/83       | 329,149  | 0       | 3,103              | (70,548) | 261,704 |
| 06/30/84       | 410,439  | 0       | 3,631              | 0        | 414,070 |
| 06/30/85       | 417,235  | 0       | 3,553              | 0        | 420,788 |
| 06/30/86       | 437,240  | 2,939   | 4,489              | 6,495    | 451,163 |
| 06/30/87       | 436,094  | 22,766  | 5,142              | (21,834) | 442,168 |
| 06/30/88       | 447,269  | 0       | 5,763              | 1        | 453,033 |
| 06/30/89       | 471,154  | 0       | 3,020              | (8,892)  | 465,282 |
| 06/30/90       | 568,382  | 41,849  | 2,788              | 465      | 613,484 |
| 06/30/91       | 573,762  | 0       | 3,143              | 3,182    | 580,088 |

**EXPENSES FOR FISCAL YEAR 91**

ADMINISTRATIVE & OTHER (1.1%)



\*Includes Investment Expense

BENEFITS (98.9%)

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS**  
*(In millions of dollars)*

| FISCAL<br>YEAR | NET ASSETS<br>AVAILABLE<br>FOR BENEFITS* | PENSION<br>BENEFIT<br>OBLIGATION | PERCENT<br>FUNDED | UNFUNDED<br>PBO | ANNUAL<br>COVERED<br>PAYROLL | UNFUNDED PBO<br>AS A PERCENT OF<br>COVERED PAYROLL |
|----------------|------------------------------------------|----------------------------------|-------------------|-----------------|------------------------------|----------------------------------------------------|
| 1988           | \$10.2                                   | \$15.0                           | 68.0%             | \$4.8           | \$2.1                        | 228.6%                                             |
| 1989           | 11.6                                     | 16.2                             | 71.6%             | 4.6             | 2.1                          | 219.0%                                             |
| 1990           | 12.9                                     | 18.0                             | 71.7%             | 5.1             | 2.2                          | 231.8%                                             |
| 1991           | 14.4                                     | 20.8                             | 69.5%             | 6.3             | 2.4                          | 262.6%                                             |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.



**HIGHWAY PATROL OFFICERS'**  
**RETIREMENT SYSTEM**

**BALANCE SHEET**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**NOTES TO FINANCIAL STATEMENTS**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

**CONTRIBUTION RATES**

**MEMBERSHIP**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

**ANALYSIS OF FUNDING PROCESS**

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$80,733            |
| Interest Receivable        | 501,325             |
| Accounts Receivable        | 46,064              |
| Corporate Securities       | 15,986,306          |
| U.S. Government Securities | 4,148,578           |
| Canadian Securities        | 842,238             |
| Short Term Investment Pool | 1,968,600           |
| Common Stock               | 3,976,712           |
| Leveraged Buy-Outs         | 329,696             |
| Deferred Gains And Losses  | 319,795             |
| <b>Total Assets</b>        | <b>\$28,200,047</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 8,057               |
| <b>Net Assets Available For Benefits</b> | <b>\$28,191,990</b> |

**FUND BALANCE**

|                                  |                     |
|----------------------------------|---------------------|
| Annuity Savings Reserve          | \$3,688,978         |
| Annuity Savings Interest Reserve | 2,442,002           |
| Pension Accumulation Reserve     | 22,061,010          |
| <b>Total Fund Balance</b>        | <b>\$28,191,990</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                | 1990                |
|-----------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                         |                     |                     |
| Retirement Contributions                |                     |                     |
| Member                                  | \$464,169           | \$449,527           |
| Employer                                | 903,476             | 890,069             |
| Interest Reserve Buyback                | 3,325               | 153                 |
| Investment Income                       | 2,165,320           | 2,135,993           |
| Common Stock Dividends                  | 215,509             | 170,883             |
| Registration Fees                       | 247,625             | 205,572             |
| License Fee Collections                 | 531,295             | 605,896             |
| <b>Total Revenues</b>                   | <b>\$4,530,719</b>  | <b>\$4,458,092</b>  |
| <b>EXPENSES</b>                         |                     |                     |
| Benefit Payments                        | \$1,897,390         | \$1,698,352         |
| Refund Of Member Contributions          | 41,561              | 2,060               |
| Interest On Refunds                     | 11,422              | 9                   |
| Employer Refund                         | 1,939               | 0                   |
| Administrative Expense                  | 7,834               | 6,957               |
| Investment Expense                      | 2,922               | 3,076               |
| <b>Total Expenses</b>                   | <b>\$1,963,068</b>  | <b>\$1,710,454</b>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                     |                     |
| Prior Year Adjustments                  | (\$5,928)           | (\$6,714)           |
| Excess Of Revenues Over Expenses        | 2,561,723           | 2,740,924           |
| Fund Balance Beginning Of Year          | 25,630,267          | 22,889,343          |
| <b>Fund Balance End Of Year</b>         | <b>\$28,191,990</b> | <b>\$25,630,267</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$2,561,723        |
| <b>Total Resources Provided</b> | <b>\$2,561,723</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | 2,561,723          |
| <b>Total Resources Used</b>     | <b>\$2,561,723</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | YEAR ENDED JUNE 30  |                     | INCREASE           |
|----------------------------------|---------------------|---------------------|--------------------|
|                                  | 1991                | 1990                | (DECREASE)         |
| <b>CURRENT ASSETS:</b>           |                     |                     |                    |
| Cash                             | \$80,733            | \$51,273            | \$29,460           |
| Accrued Interest                 | 501,325             | 529,106             | (27,782)           |
| Accrued Contributions            | 46,065              | 112,309             | (66,244)           |
| Deferred Gains And Losses        | 319,795             | 346,256             | (26,461)           |
| Investments:                     |                     |                     |                    |
| Federal Securities               | 2,556,621           | 3,082,196           | (525,574)          |
| Corporate Securities             | 17,654,679          | 17,279,353          | 375,325            |
| Short Term Investment Pool       | 1,968,600           | 1,544,500           | 424,100            |
| Common Stock                     | 3,976,712           | 2,287,388           | 1,689,324          |
| Securities On Loan               | 1,095,517           | 405,195             | 690,323            |
| <b>Total Current Assets</b>      | <b>\$28,200,047</b> | <b>\$25,637,576</b> | <b>\$2,562,470</b> |
| <b>CURRENT LIABILITIES:</b>      |                     |                     |                    |
| Accrued Expenses                 | 8,057               | 7,309               | 748                |
| <b>Total Current Liabilities</b> | <b>\$8,057</b>      | <b>\$7,309</b>      | <b>\$748</b>       |
| <b>WORKING CAPITAL</b>           | <b>\$28,191,990</b> | <b>\$25,630,267</b> | <b>\$2,561,723</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Highway Patrol Officers' Retirement System (HPORS) is a statewide defined benefit retirement plan established in 1971 for all Montana highway patrol officers, including supervisors and assistant supervisors. The HPORS is a mandatory single employer, cost-sharing plan.

| <u>Employer &amp; Active Members</u> | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|--------------------------------------|----------------------|----------------------|
| <b>Active</b>                        |                      |                      |
| State                                | <u>203</u>           | <u>199</u>           |
| Total                                | <u>203</u>           | <u>199</u>           |
| <b>Inactive</b>                      |                      |                      |
| Vested                               | 2                    | 1                    |
| Non-Vested                           | <u>4</u>             | <u>5</u>             |
| Total                                | <u>6</u>             | <u>6</u>             |
| <b>Retirees &amp; Beneficiaries</b>  |                      |                      |
| Retirees                             | 162                  | 154                  |
| Disabilities                         | 12                   | 10                   |
| Survivors                            | <u>17</u>            | <u>18</u>            |
| Total                                | <u>191</u>           | <u>182</u>           |

**2. Plan Benefits**

**a. Pension Benefits**

A member may retire with a regular service retirement benefit after completing 20 years of credited service, if employed before July 1, 1985, or after completing 20 years of service and reaching age 50, if hired on or after July 1, 1985. The retirement benefit is payable monthly for the life of the retiree, and upon his death, to his surviving spouse (or dependent child(ren), if there is no surviving spouse). The retirement benefit is equal to:

$$2\% \times \text{Years of Service} \times \text{Final Average Salary}$$

Final average salary (FAS) is the average of the member's monthly pay during his highest consecutive 36 months of service.

**b. Deferred Benefit**

A vested member (one who has completed five years of service) leaving covered employment before attaining regular retirement eligibility becomes eligible for an annuity actuarially reduced from age 60.

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

c. Disability Benefit

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The benefit is the actuarial equivalent of the service retirement benefit earned. If the disability was incurred in the line of duty, the benefit is not less than one-half his final average salary. The benefit will continue to the retiree's surviving spouse or dependent child(ren) upon the retiree's death.

d. Death Benefit

Upon the death of an active member, the surviving spouse or dependent child(ren) are entitled to a monthly annuity which is the actuarial equivalent of the early retirement benefit. If the death is duty-related, the survivor's benefit will be no less than one-half the member's final average salary.

e. Benefit Enhancements after Retirement

Monthly benefits are increased when they fall below a statutorily guaranteed minimum which is calculated by substituting the current base salary of a probationary highway patrol officer for the member's FAS in the benefit formula. Any annual increase is limited to 5% over current benefit.

**3. Funding Requirements**

a. Member Contributions

Member contributions are established by statute at 7.59 percent of monthly salary and are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

b. Employer Contributions

The State contributes 26.75 percent of total monthly payroll is payable from the same source used to pay the members' compensation. The State also contributes 10.18 percent of total monthly payroll from a portion of the fees collected from drivers' licenses and duplicate drivers' license applications.

The 1991 Legislature established new rates effective July 1, 1991. See Contribution Rates Schedule.

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**B. Actuarial Cost Method**

Refer to the Actuarial Section.

**C. Funding Requirement Determinations and Actual Contributions**

The statutorily set contribution rate of 34.34% (employer and member) funds the normal contribution cost rate of 26.85%. The 7.49% difference is applied to amortize the unfunded liability of the system. Employer and member contributions for the year totaled \$1,367,645.

**D. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**2. Valuation of Investment**

The following is the listing of investments at fiscal year end:

| <u>TYPE</u>                | <u>COST</u>   | <u>MARKET</u> |
|----------------------------|---------------|---------------|
| Corporate Securities       | \$ 15,986,306 | \$ 15,797,705 |
| US Government Securities   | 4,148,578     | 4,234,271     |
| Canadian Securities        | 842,238       | 929,726       |
| Short Term Investment Pool | 1,968,600     | 1,968,600     |
| Mont-Comp (Common Stock)   | 3,976,712     | 6,236,218     |
| Leveraged Buy-Outs         | 329,696       | 405,725       |
| Total Investments          | \$ 27,252,129 | \$ 29,572,245 |

See Appendix for investment policies as these policies are standard for all funds.





**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| FISCAL<br>YEAR  | REVENUES         | EXPENSES         | ANNUAL<br>ADDITIONS | NET ASSETS<br>AVAILABLE |
|-----------------|------------------|------------------|---------------------|-------------------------|
| 06/30/82        | 1,732,258        | 703,700          | 1,028,558           | 8,559,303               |
| 06/30/83        | 2,233,653        | 760,003          | 1,473,650           | 10,032,953              |
| 06/30/84        | 2,298,056        | 824,958          | 1,473,098           | 11,506,051              |
| 06/30/85        | 2,530,893        | 850,627          | 1,680,266           | 13,186,317              |
| 06/30/86        | 3,672,597        | 993,373          | 2,679,224           | 15,865,541              |
| 06/30/87        | 3,776,707        | 1,206,340        | 2,570,367           | 18,435,908              |
| 06/30/88        | 3,871,564        | 1,404,488        | 2,467,076           | 20,902,984              |
| 06/30/89        | 3,911,702        | 1,925,343        | 1,986,359           | 22,889,343              |
| 06/30/90        | 4,458,092        | 1,717,168        | 2,740,924           | 25,630,267              |
| <b>06/30/91</b> | <b>4,530,719</b> | <b>1,968,996</b> | <b>2,561,723</b>    | <b>28,191,990</b>       |

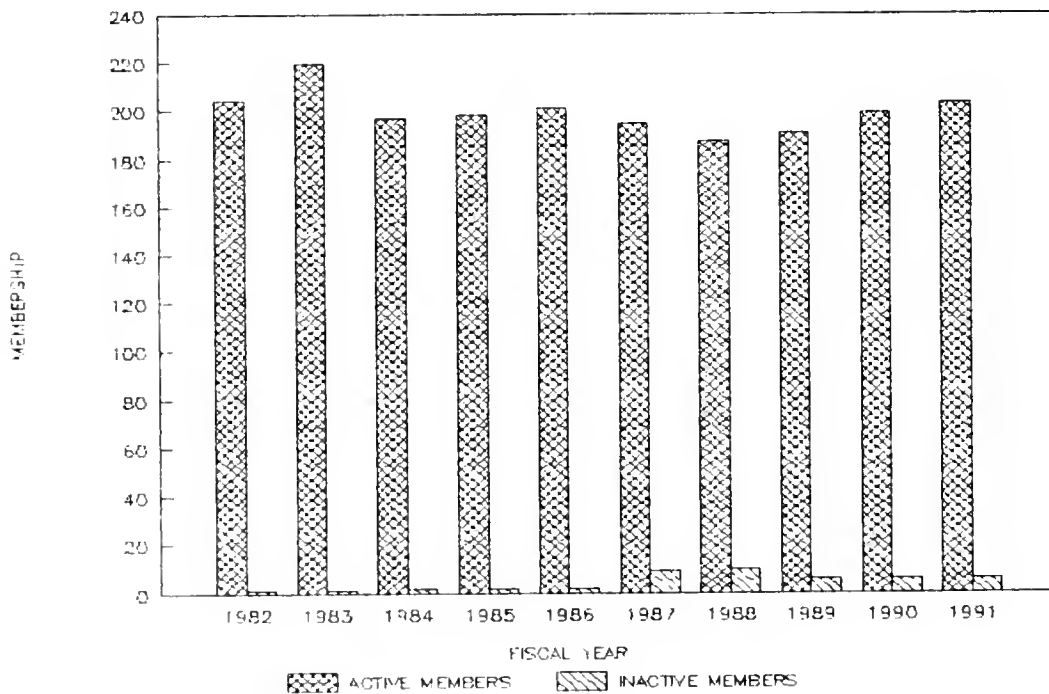
**CONTRIBUTION RATES**

| FISCAL<br>YEAR   | EMPLOYEE<br>PERCENT | EMPLOYER<br>PERCENT |
|------------------|---------------------|---------------------|
| 1979-1981        | 6.50                | 16.00               |
| 1982-1985        | 6.50                | 16.57               |
| <b>1986-1991</b> | <b>7.59</b>         | <b>26.75</b>        |
| 1992             | 9.00                | 36.28               |

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

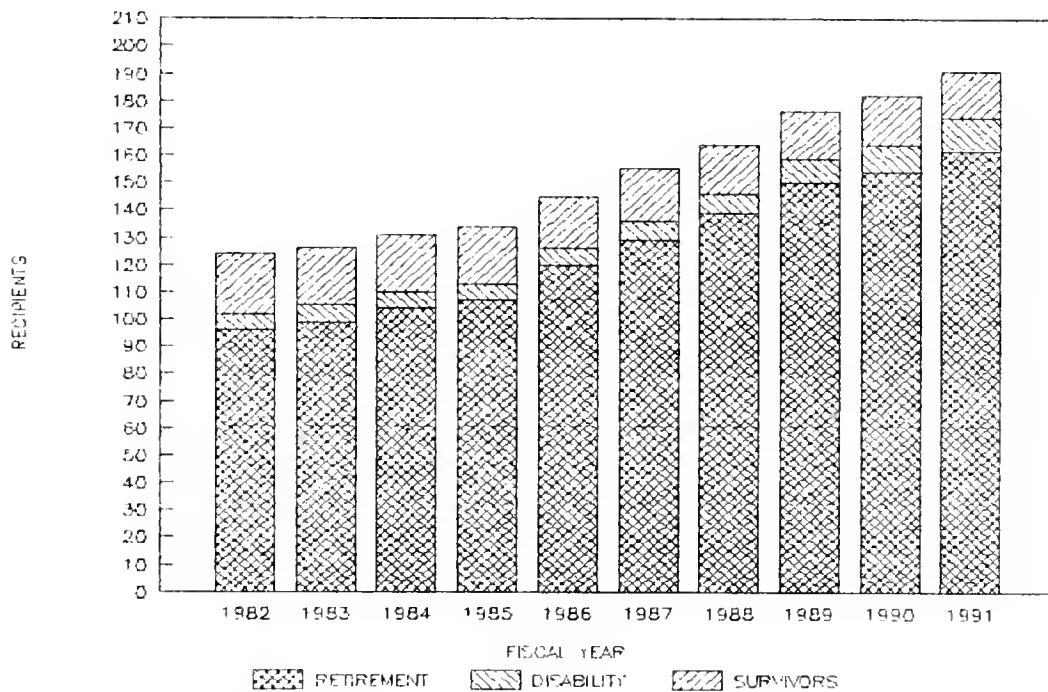
**MEMBERSHIP**

| Fiscal Year     | Active Members | Inactive Members | Total      |
|-----------------|----------------|------------------|------------|
| 06/30/82        | 204            | 1                | 205        |
| 06/30/83        | 219            | 1                | 220        |
| 06/30/84        | 197            | 2                | 199        |
| 06/30/85        | 198            | 2                | 200        |
| 06/30/86        | 201            | 2                | 203        |
| 06/30/87        | 194            | 9                | 203        |
| 06/30/88        | 187            | 10               | 197        |
| 06/30/89        | 190            | 6                | 196        |
| 06/30/90        | 199            | 6                | 205        |
| <b>06/30/91</b> | <b>203</b>     | <b>6</b>         | <b>209</b> |



**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| Fiscal<br>Year | Retirement | Disability | Survivors | Total |
|----------------|------------|------------|-----------|-------|
| 06/30/82       | 96         | 6          | 22        | 124   |
| 06/30/83       | 99         | 6          | 21        | 126   |
| 06/30/84       | 104        | 6          | 21        | 131   |
| 06/30/85       | 107        | 6          | 21        | 134   |
| 06/30/86       | 120        | 6          | 19        | 145   |
| 06/30/87       | 129        | 7          | 19        | 155   |
| 06/30/88       | 139        | 7          | 18        | 164   |
| 06/30/89       | 150        | 9          | 17        | 176   |
| 06/30/90       | 154        | 10         | 18        | 182   |
| 06/30/91       | 162        | 12         | 17        | 191   |

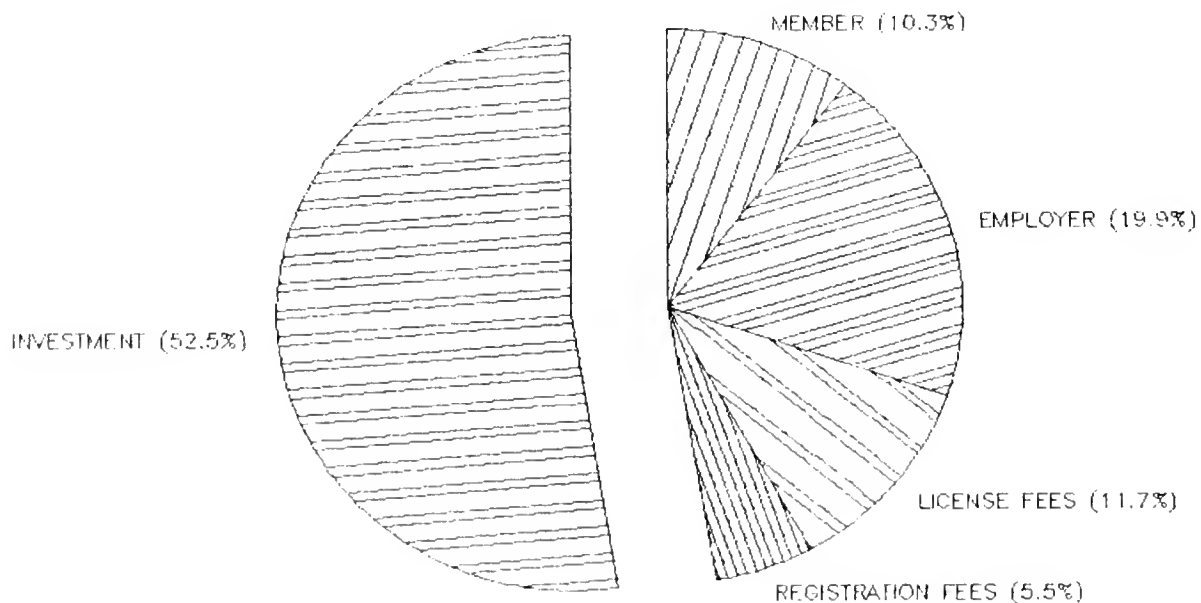


**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR | CONTRIBUTIONS |          | LICENSE<br>FEES | REGISTER<br>FEES | INVESTMENT<br>INCOME | TOTAL     |
|----------------|---------------|----------|-----------------|------------------|----------------------|-----------|
|                | MEMBER        | EMPLOYER |                 |                  |                      |           |
| 06/30/82       | 296,117       | 672,554  | 0               | 0                | 763,587              | 1,732,258 |
| 06/30/83       | 399,942       | 919,137  | 0               | 0                | 914,574              | 2,233,653 |
| 06/30/84       | 376,444       | 826,266  | 0               | 0                | 1,095,346            | 2,298,056 |
| 06/30/85       | 385,702       | 857,476  | 0               | 0                | 1,287,715            | 2,530,893 |
| 06/30/86       | 487,531       | 881,180  | 650,619         | 0                | 1,653,267            | 3,672,597 |
| 06/30/87       | 464,598       | 874,408  | 654,896         | 0                | 1,782,805            | 3,776,707 |
| 06/30/88       | 448,324       | 843,118  | 645,131         | 0                | 1,934,991            | 3,871,564 |
| 06/30/89       | 439,807       | 893,383  | 417,881         | 0                | 2,160,631            | 3,911,702 |
| 06/30/90       | 449,680       | 890,069  | 605,896         | 205,572          | 2,306,875            | 4,458,092 |
| 06/30/91       | 467,494       | 903,476  | 531,295         | 247,625          | 2,380,829            | 4,530,719 |

**REVENUES FOR FISCAL YEAR 91**

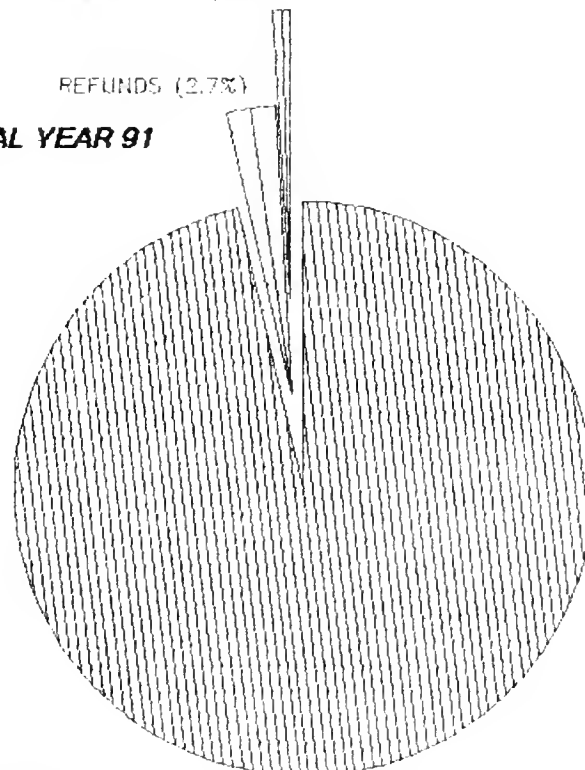


**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR | BENEFITS  | REFUNDS | ADMIN<br>EXPENSES* | OTHER**  | TOTAL     |
|----------------|-----------|---------|--------------------|----------|-----------|
| 06/30/82       | 714,465   | 7,671   | 8,865              | (27,301) | 703,700   |
| 06/30/83       | 753,153   | 346     | 8,205              | (1,701)  | 760,003   |
| 06/30/84       | 805,749   | 11,815  | 10,217             | (2,823)  | 824,958   |
| 06/30/85       | 843,029   | 1,911   | 9,434              | (3,747)  | 850,627   |
| 06/30/86       | 974,114   | 1,696   | 11,431             | 6,132    | 993,373   |
| 06/30/87       | 1,159,078 | 34,022  | 13,240             | 0        | 1,206,340 |
| 06/30/88       | 1,388,129 | 3,130   | 14,388             | (1,159)  | 1,404,488 |
| 06/30/89       | 1,560,984 | 35,699  | 10,251             | 318,409  | 1,925,343 |
| 06/30/90       | 1,698,352 | 2,069   | 10,033             | 6,714    | 1,717,168 |
| 06/30/91       | 1,897,390 | 52,982  | 10,756             | 7,868    | 1,968,996 |

ADMINISTRATIVE AND OTHER (0.9%)

**EXPENSES FOR FISCAL YEAR 91**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

BENEFITS (96.4%)

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS**  
*(In millions of dollars)*

| FISCAL<br>YEAR | NET ASSETS<br>AVAILABLE<br>FOR BENEFITS* | PENSION<br>BENEFIT<br>OBLIGATION | PERCENT<br>FUNDED | UNFUNDED<br>PBO | ANNUAL<br>COVERED<br>PAYROLL | UNFUNDED PBO<br>AS A PERCENT OF<br>COVERED PAYROLL |
|----------------|------------------------------------------|----------------------------------|-------------------|-----------------|------------------------------|----------------------------------------------------|
| 1988           | \$20.9                                   | \$40.8                           | 51.2%             | \$19.9          | \$4.9                        | 406.1%                                             |
| 1989           | 22.9                                     | 42.8                             | 53.5%             | 19.9            | 4.8                          | 414.6%                                             |
| 1990           | 25.6                                     | 45.7                             | 56.0%             | 20.1            | 5.2                          | 386.5%                                             |
| 1991           | 28.2                                     | 53.0                             | 53.2%             | 24.8            | 5.2                          | 476.9%                                             |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.

**FIREFIGHTERS' UNIFIED**  
**RETIREMENT SYSTEM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

***CONTRIBUTION RATES***

***MEMBERSHIP***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ANALYSIS OF FUNDING PROCESS***

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$10,720            |
| Interest Receivable        | 670,602             |
| Accounts Receivable        | 3,785,249           |
| Corporate Securities       | 20,122,469          |
| U.S. Government Securities | 6,496,901           |
| Canadian Securities        | 970,127             |
| Short Term Investment Pool | 1,581,600           |
| Common Stock               | 4,347,810           |
| Preferred Stock            | 45,500              |
| Leveraged Buy-Outs         | 329,696             |
| Deferred Gains And Losses  | (105,831)           |
| <b>Total Assets</b>        | <b>\$38,254,843</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 16,832              |
| Deferred Revenue                         | 183                 |
| <b>Net Assets Available For Benefits</b> | <b>\$38,237,828</b> |

**FUND BALANCE**

|                                  |                     |
|----------------------------------|---------------------|
| Annuity Savings Reserve          | \$5,720,296         |
| Annuity Savings Interest Reserve | 3,320,981           |
| Pension Accumulation Reserve     | 29,196,551          |
| <b>Total Fund Balance</b>        | <b>\$38,237,828</b> |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                       | 1990                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$641,256                  | \$601,644                  |
| Employer                                | 1,385,387                  | 1,305,728                  |
| State                                   | 3,323,318                  | 3,223,919                  |
| Interest Reserve Buyback                | 1,311                      | 121                        |
| Investment Income                       | 3,001,725                  | 2,831,377                  |
| Common Stock Dividends                  | 201,699                    | 130,708                    |
| City Held Investment                    | 4,236                      | 9,576                      |
| <b>Total Revenues</b>                   | <u><b>\$8,558,932</b></u>  | <u><b>\$8,103,073</b></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$4,494,381                | \$4,212,857                |
| Refund Of Member Contributions          | 3,141                      | 13,551                     |
| Interest On Refunds                     | 178                        | 6,921                      |
| Employer Refund                         | 0                          | 4,279                      |
| Administrative Expense                  | 16,537                     | 14,809                     |
| Investment Expense                      | 4,002                      | 3,912                      |
| <b>Total Expenses</b>                   | <u><b>\$4,518,239</b></u>  | <u><b>\$4,256,329</b></u>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | (\$6,060)                  | (\$22,443)                 |
| Excess Of Revenues Over Expenses        | 4,034,633                  | 3,824,303                  |
| Fund Balance Beginning Of Year          | 34,203,195                 | 30,378,892                 |
| <b>Fund Balance End Of Year</b>         | <u><b>\$38,237,828</b></u> | <u><b>\$34,203,195</b></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$4,034,632        |
| <b>Total Resources Provided</b> | <b>\$4,034,632</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | \$4,034,632        |
| <b>Total Resources Used</b>     | <b>\$4,034,632</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE</b>    |
|----------------------------------|---------------------------|---------------------|--------------------|
| <b>CURRENT ASSETS:</b>           | <b>1991</b>               | <b>1990</b>         | <b>(DECREASE)</b>  |
| Cash                             | \$10,720                  | \$16,355            | (\$5,635)          |
| Accrued Interest                 | 670,602                   | 681,053             | (10,451)           |
| Accrued Contributions            | 3,785,249                 | 3,371,199           | 414,050            |
| Deferred Gains And Losses        | (105,831)                 | (98,622)            | (7,209)            |
| Investments:                     |                           |                     |                    |
| Federal Securities               | 3,682,802                 | 4,838,821           | (1,156,019)        |
| Corporate Securities             | 22,057,132                | 21,531,447          | 525,685            |
| Short Term Investments           | 0                         | 84,481              | (84,481)           |
| Short Term Investment Pool       | 1,581,600                 | 1,436,000           | 145,600            |
| Common Stock                     | 4,347,810                 | 2,196,536           | 2,151,274          |
| Securities On Loan               | 2,224,759                 | 337,622             | 1,887,137          |
| <b>Total Current Assets</b>      | <b>\$38,254,843</b>       | <b>\$34,394,892</b> | <b>\$3,859,951</b> |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                    |
| Accrued Expenses                 | 16,832                    | 191,506             | (174,674)          |
| Deferred Revenue                 | 183                       | 190                 | (7)                |
| <b>Total Current Liabilities</b> | <b>\$17,015</b>           | <b>\$191,697</b>    | <b>(\$174,681)</b> |
| <b>WORKING CAPITAL</b>           | <b>\$38,237,828</b>       | <b>\$34,203,195</b> | <b>\$4,034,632</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Firefighters' Unified Retirement System (FURS) is a statewide defined benefit retirement plan established in 1981 for first and second class cities and those other cities that wish to adopt the Plan. The FURS is a multiple-employer, cost-sharing plan.

**Membership Data**

| <u>Employers</u>                    | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|-------------------------------------|----------------------|----------------------|
| <b>Active</b>                       |                      |                      |
| Anaconda                            | 5                    | 8                    |
| Billings                            | 103                  | 105                  |
| Bozeman                             | 22                   | 22                   |
| Butte                               | 34                   | 34                   |
| Glendive*                           | 18                   | 19                   |
| Great Falls                         | 63                   | 66                   |
| Havre                               | 16                   | 16                   |
| Helena                              | 32                   | 33                   |
| Kalispell                           | 20                   | 20                   |
| Lewistown*                          | 14                   | 15                   |
| Livingston*                         | 12                   | 13                   |
| Miles City*                         | 13                   | 15                   |
| Missoula                            | 61                   | 61                   |
| Red Lodge                           | <u>3</u>             | <u>3</u>             |
| Total                               | <u>416</u>           | <u>430</u>           |
| <b>Inactive</b>                     |                      |                      |
| Vested                              | 11                   | 10                   |
| Non-vested                          | <u>18</u>            | <u>12</u>            |
| Total                               | <u>29</u>            | <u>22</u>            |
| <b>Retirees &amp; Beneficiaries</b> |                      |                      |
| Retirees                            | 251                  | 238                  |
| Disabilities                        | 112                  | 112                  |
| Survivors                           | <u>33</u>            | <u>34</u>            |
| Total                               | <u>396</u>           | <u>384</u>           |

\* Participating members for Glendive, Lewistown, Livingston and Miles City also include part-paid firefighters.

**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. Plan Benefits**

**a. Pension Benefits**

A member may retire with a service retirement benefit after completing ten years of credited service and attaining the age of 50. The retirement benefit is payable monthly for the life of the retiree and, upon his death, to his surviving spouse (or dependent child(ren) if there is no surviving spouse).

For members hired before July 1, 1981, who have both completed at least 20 years of service and reached age 50 as an active firefighter, the service retirement benefit is:

$50\% \times \text{Final Monthly Compensation (FMC)} + 1\% \times \text{Years Service over } 20 \times \text{FMC}$ , up to a maximum of 60% of FMC

For members hired on or after July 1, 1981, or those hired earlier who did not both complete 20 years service and reach age 50 as an active firefighter, the benefit is:

$2\% \times \text{Years of Service} \times \text{Final Monthly Compensation (FMC)}$  or  $\text{Final Average Salary (FAS)}$ , up to a maximum of 60% of FMC or FAS

A member hired prior to July 1, 1981 has benefits calculated based on FMC which is the regular monthly salary (excluding overtime, holiday pay, shift differentials, compensatory time payments, and payments in lieu of sick leave) last received by the member. Members hired on or after July 1, 1981 have benefits calculated based on their FAS which is the average of the member's regular monthly pay during the last 36 months of service.

**b. Deferred Benefit**

A vested member (one who has completed ten years of service) leaving covered employment before attaining age 50 becomes eligible for a monthly benefit beginning on the first day of the month following the date he attains age 50, provided his membership contributions have been left on deposit.

**c. Disability Benefit**

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The disability benefit for members

**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

hired is one-half their final monthly compensation plus 1% of FMC for each year in excess of 20 years service, up to a maximum of 60% FMC. Upon his death, his surviving spouse or dependent child(ren) will continue to receive the benefit.

d. Death Benefit

Upon the death of an active member, the surviving spouse (or dependent child(ren) if there is no surviving spouse), is entitled to a monthly benefit equal to one-half the member's FMC or FAS, depending on his date of hire. If the deceased member was hired prior to July 1, 1981 and had more than 20 years of service when he died, the survivor's benefit will be increased by 1% of his FMC for each year in excess of 20 years, up to a maximum of 60% of FMC.

e. Benefit Enhancements after Retirement

The minimum monthly benefit must be at least one-half of the salary of a newly confirmed firefighter employed by the city from which the member retired. Funding for the minimum benefit enhancement is provided by the insurance premium tax fund.

**3. Funding Requirement**

a. Member Contributions

Member contribution rates are established by statute at 6 percent of regular compensation and are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. If a member leaves covered employment, he may request a refund of his accumulated contributions and interest in lieu of any other benefits.

b. Employer Contributions

Each participating city contributes 13.02 percent of total covered payroll to the retirement system on a monthly basis.

c. State Contributions

The State contributes 22.98 percent of the total annual compensation of firefighters covered by this system. These payments are made annually from the insurance premium tax fund. Effective July 1, 1991 the State contribution rate increases to 23.27 percent.

**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

d. Supplemental Benefit Contributions

A single annual payment is received from the State Auditor's office from the insurance premium tax fund. These contributions fund the supplemental retirement benefits. The amount received for fiscal year 1991 was \$979,856.

**B. Actuarial Cost Method**

Refer to the Actuarial Section.

**C. Funding Requirement Determinations and Actual Contribution**

The statutorily set contribution rate of 42% (employer, member and State) funds the normal cost contribution rate of 21.122%. The 20.878% difference is applied to amortize the unfunded liability of the system. Employer, member, and State contributions for the year totaled \$4,370,104.

**D. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Refer to the Appendix for standard accounting policies.

**2. Valuation of Investments**

The following is the listing of investments at fiscal year end:

| <u>TYPE</u>                | <u>COST</u>   | <u>MARKET</u> |
|----------------------------|---------------|---------------|
| Corporate Securities       | \$ 20,122,469 | \$ 19,824,836 |
| US Government Securities   | 6,496,901     | 6,658,112     |
| Canadian Securities        | 970,127       | 1,006,085     |
| Short Term Investment Pool | 1,581,600     | 1,581,600     |
| Mont-Comp (Common Stock)   | 4,347,810     | 5,957,150     |
| Leveraged Buy-Outs         | 329,696       | 405,725       |
| Total Investments          | \$ 33,894,103 | \$ 35,463,481 |

See Appendix for investment policies as these policies are standard for all funds.

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b>  | <b>EXPENSES</b>  | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|------------------|------------------|-----------------------------|---------------------------------|
| 06/30/82               | 5,689,178        | 2,589,632        | 3,099,546                   | 10,406,326                      |
| 06/30/83               | 4,703,102        | 2,786,673        | 1,916,429                   | 12,322,755                      |
| 06/30/84               | 5,728,700        | 3,042,538        | 2,686,162                   | 15,008,917                      |
| 06/30/85               | 6,153,178        | 3,926,424        | 2,226,754                   | 17,235,671                      |
| 06/30/86               | 6,846,543        | 3,526,834        | 3,319,709                   | 20,555,380                      |
| 06/30/87               | 6,799,905        | 3,789,039        | 3,010,866                   | 23,566,246                      |
| 06/30/88               | 7,156,240        | 4,093,718        | 3,062,522                   | 26,628,768                      |
| 06/30/89               | 7,736,102        | 3,985,978        | 3,750,124                   | 30,378,892                      |
| 06/30/90               | 8,103,073        | 4,278,770        | 3,824,303                   | 34,203,195                      |
| <b>06/30/91</b>        | <b>8,558,932</b> | <b>4,524,299</b> | <b>4,034,633</b>            | <b>38,237,828</b>               |

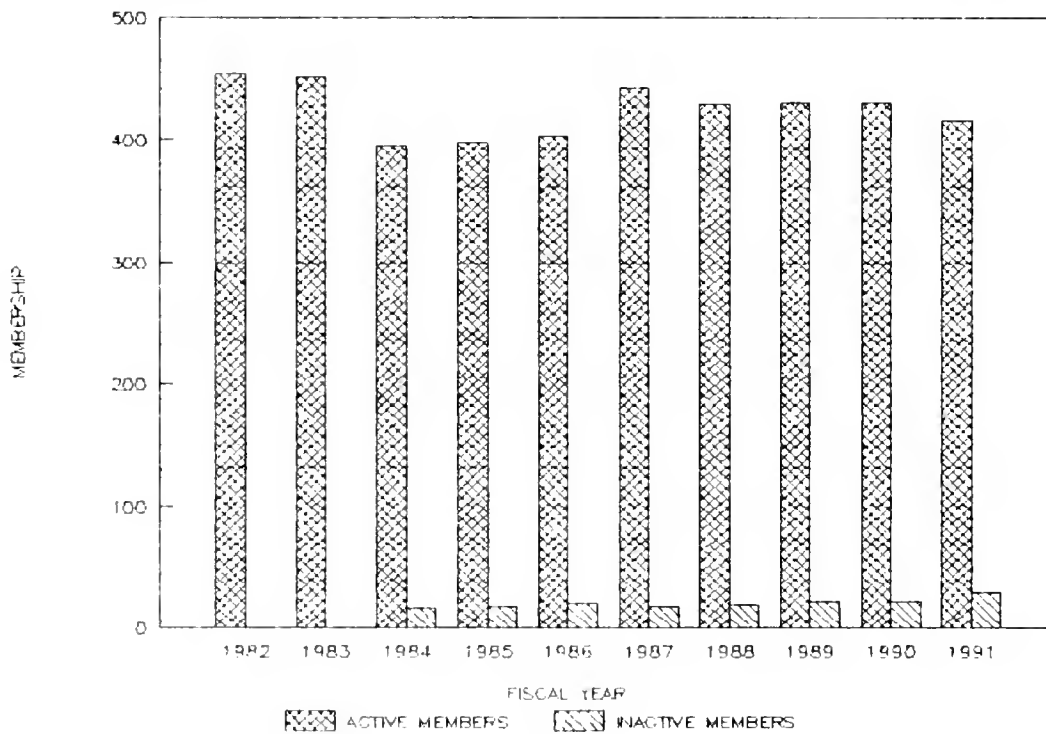
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> | <b>STATE<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|--------------------------|
| 1982                   | 6.00                        | 12.00                       | 12.00                    |
| 1983                   | 6.00                        | 15.00                       | 15.00                    |
| 1984-1985              | 6.00                        | 18.00                       | 18.00                    |
| <b>1986-1991</b>       | <b>6.00</b>                 | <b>13.02</b>                | <b>22.98</b>             |
| 1992                   | 6.00                        | 13.02                       | 23.27                    |

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**MEMBERSHIP**

| <b>Fiscal<br/>Year</b> | <b>Active<br/>Members</b> | <b>Inactive<br/>Members</b> | <b>Total</b> |
|------------------------|---------------------------|-----------------------------|--------------|
| 06/30/82               | 454                       | 0                           | 454          |
| 06/30/83               | 451                       | 0                           | 451          |
| 06/30/84               | 395                       | 16                          | 411          |
| 06/30/85               | 398                       | 18                          | 416          |
| 06/30/86               | 403                       | 20                          | 423          |
| 06/30/87               | 442                       | 17                          | 459          |
| 06/30/88               | 429                       | 19                          | 448          |
| 06/30/89               | 431                       | 22                          | 453          |
| 06/30/90               | 430                       | 22                          | 452          |
| <b>06/30/91</b>        | <b>416</b>                | <b>29</b>                   | <b>445</b>   |

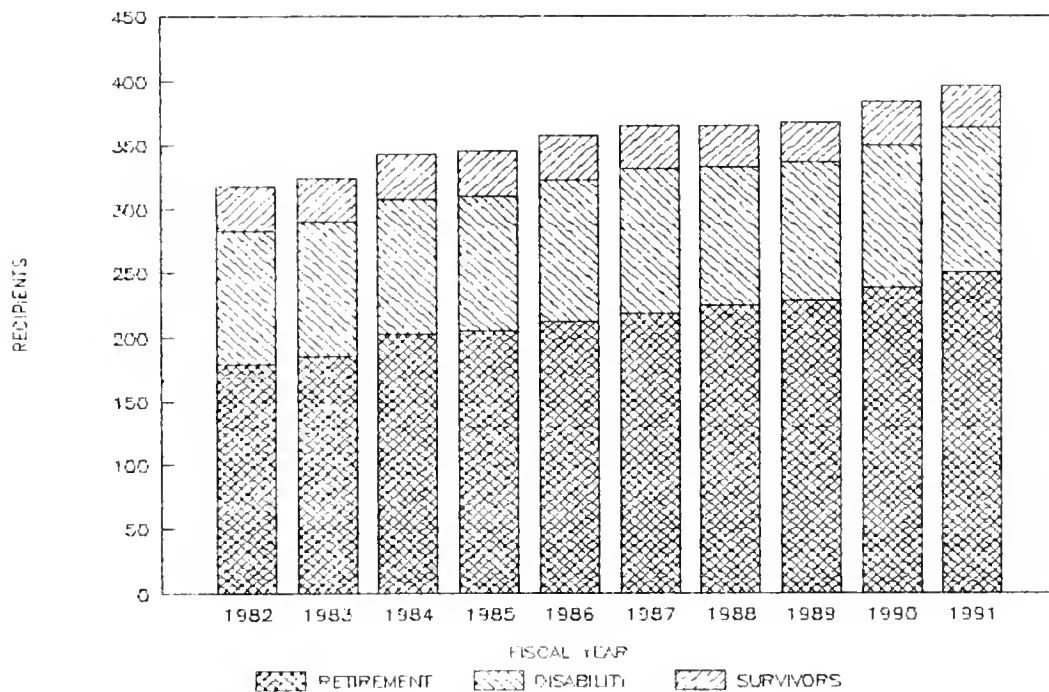




**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <b>Fiscal<br/>Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|------------------------|-------------------|-------------------|------------------|--------------|
| 06/30/82               | 179               | 104               | 34               | 317          |
| 06/30/83               | 185               | 105               | 34               | 324          |
| 06/30/84               | 202               | 106               | 34               | 342          |
| 06/30/85               | 204               | 106               | 35               | 345          |
| 06/30/86               | 212               | 111               | 34               | 357          |
| 06/30/87               | 218               | 113               | 34               | 365          |
| 06/30/88               | 224               | 109               | 32               | 365          |
| 06/30/89               | 228               | 109               | 31               | 368          |
| 06/30/90               | 238               | 112               | 34               | 384          |
| <b>06/30/91</b>        | <b>251</b>        | <b>112</b>        | <b>33</b>        | <b>396</b>   |

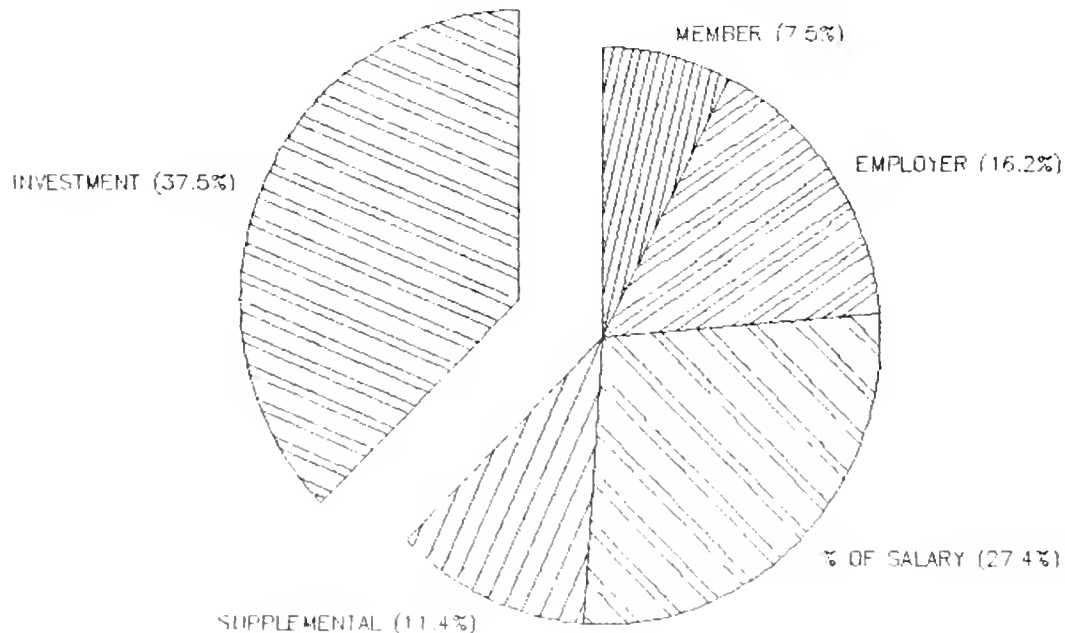


**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| FISCAL<br>YEAR | CONTRIBUTIONS |           | STATE     |            | INVESTMENT | TOTAL     |
|----------------|---------------|-----------|-----------|------------|------------|-----------|
|                | MEMBER        | EMPLOYER  | % SALARY  | SUPPLEMENT | INCOME     |           |
| 06/30/82       | 446,475       | 884,454   | 1,959,650 | 1,415,708  | 982,891    | 5,689,178 |
| 06/30/83       | 470,055       | 1,169,642 | 1,171,450 | 816,467    | 1,075,488  | 4,703,102 |
| 06/30/84       | 511,079       | 1,490,980 | 1,452,754 | 889,517    | 1,384,370  | 5,728,700 |
| 06/30/85       | 520,534       | 1,549,402 | 1,510,803 | 920,527    | 1,651,912  | 6,153,178 |
| 06/30/86       | 539,886       | 1,236,716 | 1,792,021 | 967,522    | 2,310,399  | 6,846,543 |
| 06/30/87       | 553,959       | 1,210,874 | 2,061,424 | 972,053    | 2,001,595  | 6,799,905 |
| 06/30/88       | 572,011       | 1,230,022 | 2,125,361 | 965,237    | 2,263,608  | 7,156,240 |
| 06/30/89       | 595,142       | 1,293,491 | 2,227,326 | 934,172    | 2,685,971  | 7,736,102 |
| 06/30/90       | 601,765       | 1,305,728 | 2,281,430 | 942,490    | 2,971,661  | 8,103,073 |
| 06/30/91       | 642,567       | 1,385,387 | 2,343,461 | 979,856    | 3,207,661  | 8,558,932 |

**REVENUES FOR FISCAL YEAR 91**

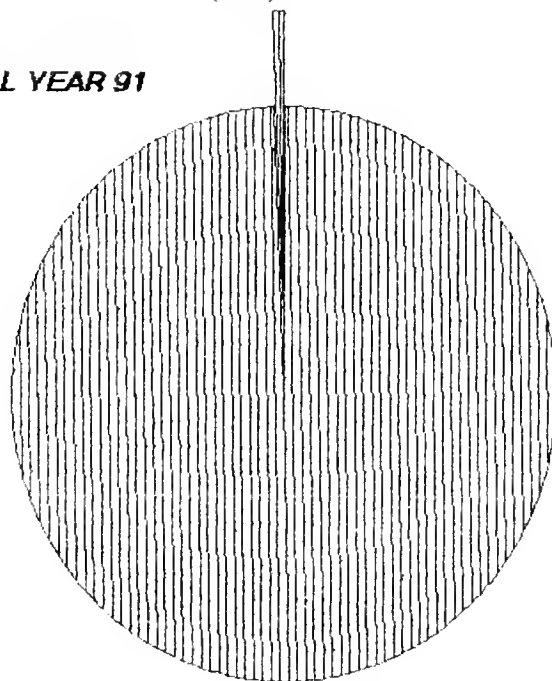


**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR  | BENEFITS         | REFUNDS      | ADMIN<br>EXPENSES* | OTHER**      | TOTAL            |
|-----------------|------------------|--------------|--------------------|--------------|------------------|
| 06/30/82        | 2,545,689        | 23,115       | 16,331             | 4,497        | 2,589,632        |
| 06/30/83        | 2,747,860        | 15,777       | 13,191             | 9,845        | 2,786,673        |
| 06/30/84        | 2,996,403        | 48,592       | 18,788             | (21,245)     | 3,042,538        |
| 06/30/85        | 3,216,785        | 16,098       | 17,393             | 676,148      | 3,926,424        |
| 06/30/86        | 3,484,636        | 32,681       | 20,924             | (11,407)     | 3,526,834        |
| 06/30/87        | 3,730,035        | 33,473       | 25,531             | 0            | 3,789,039        |
| 06/30/88        | 4,012,963        | 55,851       | 21,534             | 3,370        | 4,093,718        |
| 06/30/89        | 3,997,225        | 44,775       | 18,916             | (74,938)     | 3,985,978        |
| 06/30/90        | 4,212,857        | 20,472       | 18,721             | 26,721       | 4,278,771        |
| <b>06/30/91</b> | <b>4,494,381</b> | <b>3,319</b> | <b>20,539</b>      | <b>6,060</b> | <b>4,524,299</b> |

REFUND, ADMINISTRATIVE & OTHER (0.7%)

**EXPENSES FOR FISCAL YEAR 91**



BENEFITS (99.3%)

\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROCESS**  
*(In millions of dollars)*

| <b>FISCAL<br/>YEAR</b> | <b>NET ASSETS<br/>AVAILABLE<br/>FOR BENEFITS*</b> | <b>PENSION<br/>BENEFIT<br/>OBLIGATION</b> | <b>PERCENT<br/>FUNDED</b> | <b>UNFUNDED<br/>PBO</b> | <b>ANNUAL<br/>COVERED<br/>PAYROLL</b> | <b>UNFUNDED PBO<br/>AS A PERCENT OF<br/>COVERED PAYROLL</b> |
|------------------------|---------------------------------------------------|-------------------------------------------|---------------------------|-------------------------|---------------------------------------|-------------------------------------------------------------|
| 1988                   | \$26.6                                            | \$82.1                                    | 32.4%                     | \$55.5                  | \$9.7                                 | 572.2%                                                      |
| 1989                   | 30.4                                              | 89.0                                      | 34.2%                     | 58.6                    | 9.7                                   | 604.1%                                                      |
| 1990                   | 34.2                                              | 91.6                                      | 37.3%                     | 57.4                    | 10.0                                  | 574.0%                                                      |
| 1991                   | 38.2                                              | 93.7                                      | 40.8%                     | 55.5                    | 10.3                                  | 539.6%                                                      |

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

This comparative information is only available from FY88 to FY91.

\*Net Assets at cost.

**VOLUNTEER FIREFIGHTERS'**  
**COMPENSATION ACT**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

***STATEMENT OF CHANGES IN FINANCIAL POSITION***

***NOTES TO FINANCIAL STATEMENTS***

***RETIRED MEMBERS AND BENEFIT RECIPIENTS***

***COMPARATIVE SUMMARY OF REVENUES BY SOURCE***

***COMPARATIVE SUMMARY OF EXPENSES BY TYPE***

***ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS***

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**BALANCE SHEET**

**JUNE 30, 1991**

**ASSETS**

|                            |                    |
|----------------------------|--------------------|
| Cash In Treasury           | \$6,271            |
| Interest Receivable        | 129,539            |
| Accounts Receivable        | 601,102            |
| Corporate Securities       | 3,713,625          |
| U.S. Government Securities | 1,335,838          |
| Canadian Securities        | 595,328            |
| Short Term Investment Pool | 580,100            |
| Common Stock               | 552,133            |
| Leveraged Buy-Outs         | 109,899            |
| Deferred Gains And Losses  | 42,909             |
| <b>Total Assets</b>        | <b>\$7,666,744</b> |

**LIABILITIES**

|                                          |                    |
|------------------------------------------|--------------------|
| Accounts Payable                         | 10,505             |
| <b>Net Assets Available For Benefits</b> | <b>\$7,656,239</b> |

**FUND BALANCE**

|                              |                    |
|------------------------------|--------------------|
| Pension Accumulation Reserve | 7,656,239          |
| <b>Total Fund Balance</b>    | <b>\$7,656,239</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1991 AND JUNE 30, 1990**

|                                         | 1991                      | 1990                      |
|-----------------------------------------|---------------------------|---------------------------|
| <b>REVENUES</b>                         |                           |                           |
| Retirement Contributions                |                           |                           |
| State                                   | \$601,102                 | \$583,064                 |
| Investment Income                       | 660,125                   | 600,445                   |
| <b>Total Revenues</b>                   | <u><u>\$1,261,227</u></u> | <u><u>\$1,183,509</u></u> |
| <b>EXPENSES</b>                         |                           |                           |
| Benefit Payments                        | \$736,785                 | \$365,670                 |
| Supplemental Insurance Payments         | 22,136                    | 20,325                    |
| Administrative Expense                  | 10,445                    | 9,049                     |
| Investment Expense                      | 822                       | 848                       |
| <b>Total Expenses</b>                   | <u><u>\$770,188</u></u>   | <u><u>\$395,892</u></u>   |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                           |                           |
| Prior Year Adjustments                  | (\$3,118)                 | (\$1,536)                 |
| Excess Of Revenues Over Expenses        | 487,921                   | 786,081                   |
| Fund Balance Beginning Of Year          | 7,168,318                 | 6,382,237                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$7,656,239</u></u> | <u><u>\$7,168,318</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1991**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                  |
|---------------------------------|------------------|
| Excess Revenues Over Expenses   | \$487,921        |
| <b>Total Resources Provided</b> | <b>\$487,921</b> |

**RESOURCES USED BY:**

|                                 |                  |
|---------------------------------|------------------|
| Net Increase In Working Capital | 487,921          |
| <b>Total Resources Used</b>     | <b>\$487,921</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | <b>YEAR ENDED JUNE 30</b> |                    | <b>INCREASE</b>   |
|----------------------------------|---------------------------|--------------------|-------------------|
| <b>CURRENT ASSETS:</b>           | <b>1991</b>               | <b>1990</b>        | <b>(DECREASE)</b> |
| Cash                             | \$6,271                   | \$10,433           | (\$4,162)         |
| Accrued Interest                 | 129,539                   | 145,470            | (15,931)          |
| Accrued Contributions            | 601,102                   | 583,448            | 17,654            |
| Deferred Gains And Losses        | 42,909                    | 55,981             | (13,072)          |
| Investments:                     |                           |                    |                   |
| Federal Securities               | 546,653                   | 895,059            | (348,406)         |
| Corporate Securities             | 4,537,908                 | 4,342,483          | 195,424           |
| Short Term Investment Pool       | 580,100                   | 767,700            | (187,600)         |
| Common Stock                     | 552,133                   | 106,778            | 445,355           |
| Securities On Loan               | 670,129                   | 270,130            | 399,999           |
| <b>Total Current Assets</b>      | <b>\$7,666,744</b>        | <b>\$7,177,483</b> | <b>\$489,261</b>  |
| <b>CURRENT LIABILITIES:</b>      |                           |                    |                   |
| Accrued Expenses                 | 10,505                    | 9,165              | 1,340             |
| <b>Total Current Liabilities</b> | <b>\$10,505</b>           | <b>\$9,165</b>     | <b>\$1,340</b>    |
| <b>WORKING CAPITAL</b>           | <b>\$7,656,239</b>        | <b>\$7,168,318</b> | <b>\$487,921</b>  |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**NOTES TO THE FINANCIAL STATEMENTS**

**A. Plan Description**

**1. Plan Membership**

The Volunteer Firefighters' Compensation Act (VFCA) is a statewide retirement and disability plan for all volunteer fire companies organized in unincorporated areas, towns or villages under the laws of the State of Montana.

**Membership Data**

| <u>Members</u>                      | <u>June 30, 1991</u> | <u>June 30, 1990</u> |
|-------------------------------------|----------------------|----------------------|
| <b>Retirees &amp; Beneficiaries</b> |                      |                      |
| Retirees                            | 517                  | 497                  |
| Survivors                           | <u>4</u>             | <u>9</u>             |
| Total                               | <u>521</u>           | <u>506</u>           |

**2. Plan Benefits**

**a. Pension Benefits**

A volunteer firefighter may retire with a retirement benefit after completing 20 years of creditable service and attaining age 55. A member does not have to be an active member of a volunteer firefighting company when he reaches age 55. The pension payable to qualified claimants has been recalculated each fiscal year based upon the amount available for distribution from the fund and the number of qualified claimants. The total pension payable to any individual may not exceed \$200 per month.

The 1991 Legislature established benefits at \$120 per month (for full participation) through fiscal year 1993. The 1993 Legislature will review the fund and determine future benefit levels.

If a volunteer firefighter is prevented from completing 20 years of creditable service due to any factors beyond his control, he may qualify for partial participation if he has completed at least ten years of creditable service. The pension payment will be prorated accordingly.

**b. Disability Payments**

A member injured while performing his duties as a volunteer firefighter is eligible to receive compensation for his necessary and reasonable medical expenses, not to exceed \$25,000, resulting directly from the disability and incurred within 36 months from the date of injury which caused the disability. If this disability prevents the volunteer firefighter from completing 20 years of service he may also be eligible for a partial pension payment.

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

c. **Death Benefits**

A lump-sum payment equal to the actual necessary and reasonable expenses, or \$1,500 (whichever is less), will be paid directly to the provider of funeral services for any eligible volunteer firefighter whose death occurs in the line of duty.

Upon the death of an active or retired volunteer firefighter, his surviving spouse (or dependent child(ren) under 18) will receive the full or partial pension payment earned by the firefighter. Payments to eligible survivors will end when the surviving spouse dies or remarries, the surviving dependent child(ren) reach age 18, or the total payments have reached \$4,000 (or a proportion thereof for partial pensions).

d. **Group Insurance Payments**

To encourage volunteer companies to maintain group insurance for their members to provide benefits in case of death or injury incurred while in the line of duty as a volunteer firefighter, payments are made to volunteer fire companies equal to \$75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

**3. Funding Requirements**

a. **State Contributions**

The State contributes 5 percent of the premium taxes collected on certain fire risks. Payments are made annually to the Volunteer Firefighters' Pension Fund by the state auditor from the fire insurance premium tax fund. Contributions for the year totalled \$601,102.

**B. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

Reference the Appendix for standard accounting policies.

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. Valuation of Investment**

The following is the listing of investments at fiscal year end:

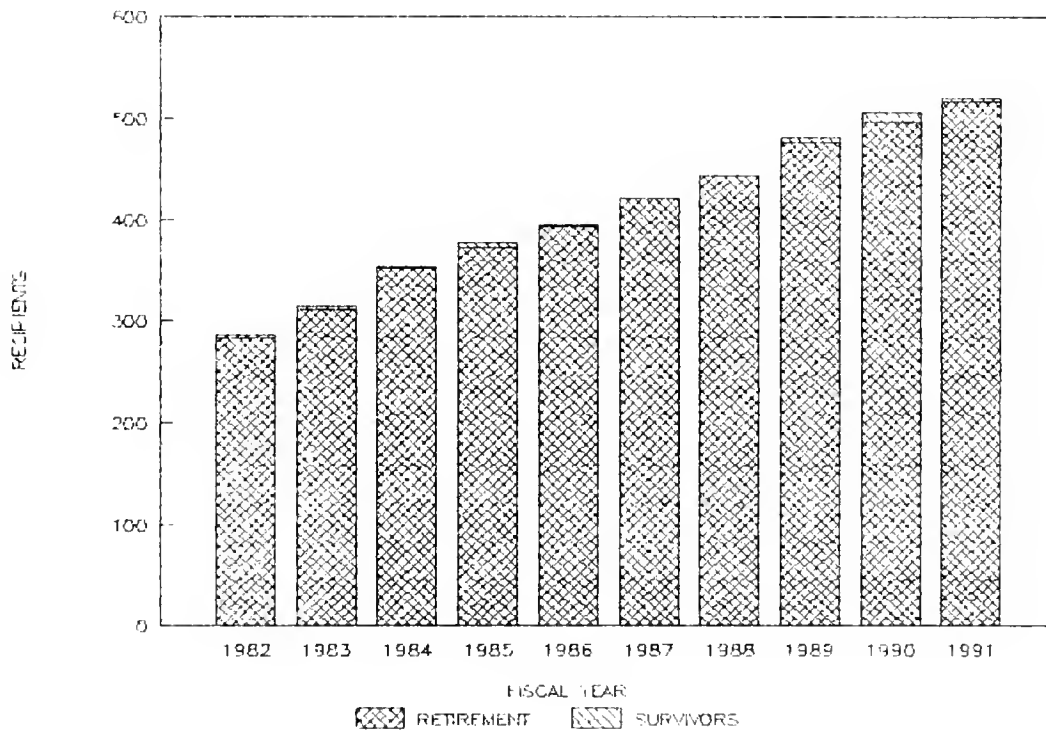
| <u>TYPE</u>                | <u>COST</u>         | <u>MARKET</u>       |
|----------------------------|---------------------|---------------------|
| Corporate Securities       | \$ 3,713,625        | \$ 3,761,840        |
| US Government Securities   | 1,335,838           | 1,366,825           |
| Canadian Securities        | 595,328             | 669,934             |
| Short Term Investment Pool | 580,100             | 580,100             |
| Mont-Comp (Common Stock)   | 552,133             | 627,214             |
| Leveraged Buy-Outs         | 109,899             | 135,242             |
| Total Investments          | \$ <u>6,886,923</u> | \$ <u>7,141,155</u> |

See Appendix for investment policies as these policies are standard for all funds.



**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT \***  
**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| Fiscal Year     | Retirement | Survivors | Total      |
|-----------------|------------|-----------|------------|
| 06/30/82        | 284        | 2         | 286        |
| 06/30/83        | 312        | 2         | 314        |
| 06/30/84        | 352        | 2         | 354        |
| 06/30/85        | 373        | 4         | 377        |
| 06/30/86        | 393        | 2         | 395        |
| 06/30/87        | 422        | 0         | 422        |
| 06/30/88        | 443        | 1         | 444        |
| 06/30/89        | 476        | 5         | 481        |
| 06/30/90        | 497        | 9         | 506        |
| <b>06/30/91</b> | <b>517</b> | <b>4</b>  | <b>521</b> |

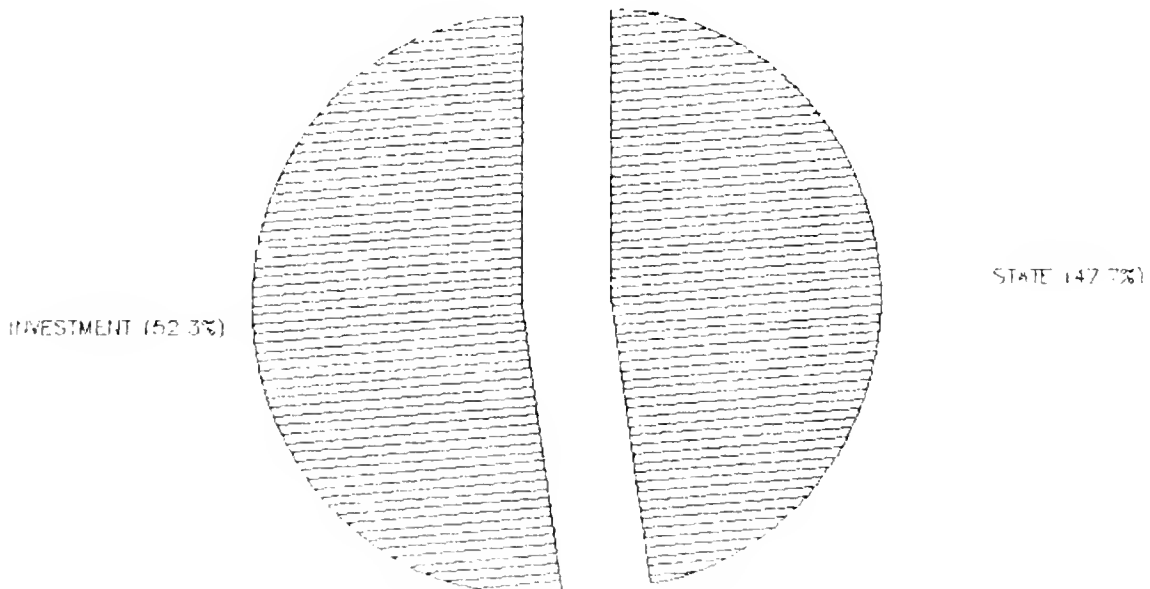


\*P.E.R.D. began exclusively administering the Volunteer  
 Firefighters' Compensation Act, July 1, 1983)

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

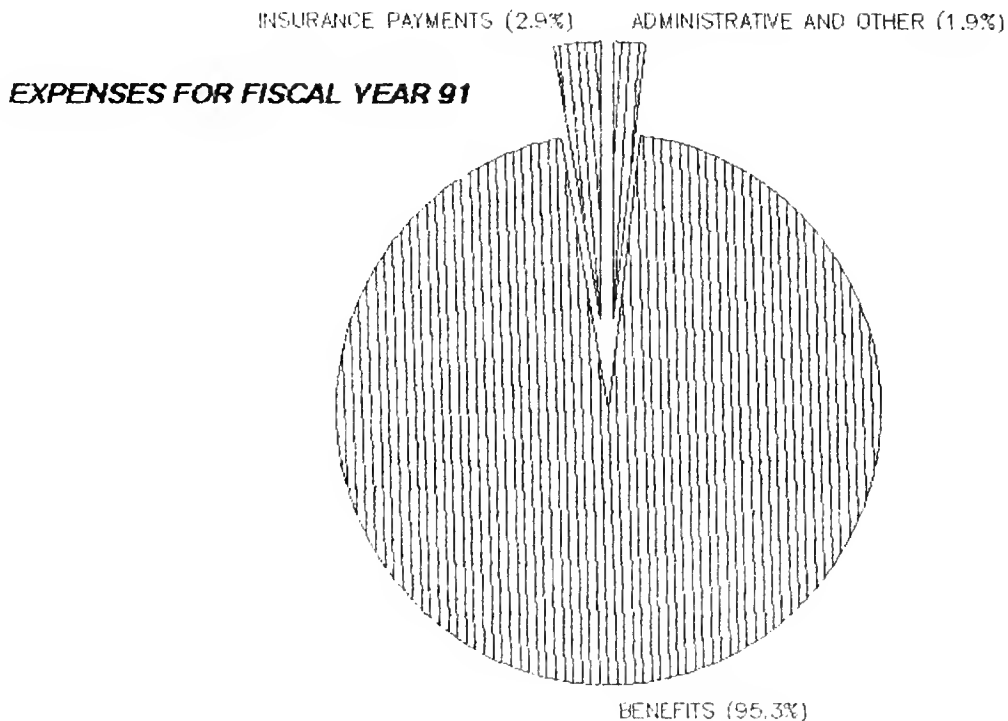
| FISCAL<br>YEAR  | STATE<br>CONTRIBUTION | INVESTMENT<br>INCOME | TOTAL            |
|-----------------|-----------------------|----------------------|------------------|
| 06/30/84        | 338,742               | 465,458              | 804,200          |
| 06/30/85        | 338,742               | 428,166              | 766,908          |
| 06/30/86        | 500,000               | 471,176              | 971,176          |
| 06/30/87        | 534,766               | 483,790              | 1,018,556        |
| 06/30/88        | 532,187               | 516,814              | 1,049,001        |
| 06/30/89        | 565,099               | 589,366              | 1,154,465        |
| 06/30/90        | 583,064               | 600,445              | 1,183,509        |
| <b>06/30/91</b> | <b>601,102</b>        | <b>660,125</b>       | <b>1,261,227</b> |

**REVENUES FOR FISCAL YEAR 91**



**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| FISCAL<br>YEAR  | BENEFITS       | INSURANCE<br>PAYMENTS | ADMIN<br>EXPENSES* | OTHER**      | TOTAL          |
|-----------------|----------------|-----------------------|--------------------|--------------|----------------|
| 06/30/84        | 401,008        | 18,225                | 6,939              | (368,817)    | 57,355         |
| 06/30/85        | 267,869        | 19,950                | 6,408              | (691)        | 293,536        |
| 06/30/86        | 525,851        | 20,700                | 7,477              | (86,258)     | 467,770        |
| 06/30/87        | 517,693        | 21,825                | 14,654             | 16,101       | 570,273        |
| 06/30/88        | 328,235        | 23,640                | 8,384              | (58,703)     | 301,556        |
| 06/30/89        | 688,357        | 25,542                | 9,781              | 44,569       | 768,249        |
| 06/30/90        | 365,670        | 20,325                | 9,897              | 1,536        | 397,428        |
| <b>06/30/91</b> | <b>736,785</b> | <b>22,136</b>         | <b>11,267</b>      | <b>3,117</b> | <b>773,305</b> |



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

P.E.R.D. began exclusively administering the Volunteer Firefighters' Compensation Act, July 1, 1983

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT\***

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b>  | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|------------------|-----------------|-----------------------------|---------------------------------|
| 06/30/84               | 804,200          | 57,355          | 746,845                     | 3,823,515                       |
| 06/30/85               | 766,908          | 293,536         | 473,372                     | 4,296,887                       |
| 06/30/86               | 971,176          | 467,770         | 503,406                     | 4,800,293                       |
| 06/30/87               | 1,018,556        | 570,273         | 448,283                     | 5,248,576                       |
| 06/30/88               | 1,049,001        | 301,556         | 747,445                     | 5,996,021                       |
| 06/30/89               | 1,154,465        | 768,249         | 386,216                     | 6,382,237                       |
| 06/30/90               | 1,183,509        | 397,428         | 786,081                     | 7,168,318                       |
| <b>06/30/91</b>        | <b>1,261,227</b> | <b>773,306</b>  | <b>487,921</b>              | <b>7,656,239</b>                |

\*P.E.R.D. began exclusively administering the Volunteer Firefighters' Compensation Act, July 1 1983.



**SOCIAL SECURITY PROGRAM**

***BALANCE SHEET***

***STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE***

**STATE OF MONTANA  
SOCIAL SECURITY PROGRAM  
JUNE 30, 1991**

**BALANCE SHEET**

**ASSETS**

|                            |                         |
|----------------------------|-------------------------|
| Cash                       | \$2,564                 |
| Short Term Investment Pool | 458,400                 |
| <b>Total Assets</b>        | <b><u>\$460,964</u></b> |

**LIABILITIES**

|                   |                         |
|-------------------|-------------------------|
| Accounts Payable  | 0                       |
| <b>Net Assets</b> | <b><u>\$460,964</u></b> |

**FUND BALANCE**

|                           |                         |
|---------------------------|-------------------------|
| <b>Total Fund Balance</b> | <b><u>\$460,964</u></b> |
|---------------------------|-------------------------|

**SOCIAL SECURITY PROGRAM**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

**REVENUES**

|                       |                        |
|-----------------------|------------------------|
| Investment Income     | \$33,371               |
| Contributions         | 4,188                  |
| <b>Total Revenues</b> | <b><u>\$37,559</u></b> |

**EXPENSES**

|                       |                   |
|-----------------------|-------------------|
| <b>Total Expenses</b> | <b><u>\$0</u></b> |
|-----------------------|-------------------|

|                                  |        |
|----------------------------------|--------|
| Excess Of Revenues Over Expenses | 37,559 |
|----------------------------------|--------|

|                                |                |
|--------------------------------|----------------|
| Fund Balance Beginning Of Year | <u>423,405</u> |
|--------------------------------|----------------|

|                                 |                         |
|---------------------------------|-------------------------|
| <b>Fund Balance End Of Year</b> | <b><u>\$460,964</u></b> |
|---------------------------------|-------------------------|

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**APPENDIX TO THE FINANCIAL STATEMENT NOTES**

**Appendix:**

**A. Summary of Significant Accounting and Financial Reporting Policies**

**1. Method of Accounting**

The accounting records and financial statements prepared by the Public Employees' Retirement Division use the fund accounting principals based on the accrual method of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

**2. Valuation of Investments**

The investments for each fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

- a. STIP's are carried at cost and are currently valued at \$100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and PERD elects to have all STIP income automatically reinvested.
- b. Mont-Comp is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. PERS can only buy or sell units on the first business day of the month. Investment income is distributed to PERS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.
- c. Securities are recorded at book value (original costs adjusted for discount and premium amortization). Premium and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.
- d. Mortgages have an average life of eight years which is used for the amortization of mortgage discounts.





# *Actuarial Section*





**Hendrickson, Miller  
& Associates, Inc.**  
ACTUARIAL CONSULTANTS

Securities Building • 101 N. Last Chance Gulch  
P.O. Box 823 • Helena, Montana 59624  
Telephone 406/442-5222  
FAX 406/442-5089

November 1, 1991

Lawrence P. Nachtsheim  
Public Employees' Retirement Division  
1712 Ninth Avenue  
Helena, MT 59620

Re: Actuarial Soundness of the Public Employees' Retirement Division  
Dear Larry:

Our firm has completed the July 1, 1991 actuarial valuations of the seven retirement systems administered by the Public Employees' Retirement Division:

1. Public Employees' Retirement System
2. Firefighters' Retirement System
3. Municipal Police Officers' Retirement System
4. Sheriffs' Retirement System
5. Highway Patrol Retirement System
6. Game Wardens' Retirement System
7. Judges' Retirement System

The valuations were based on the actuarial assumptions cited in the 1990 actuarial valuation reports and on the data provided by the Public Employees' Retirement Division as of June 30, 1991.

The purpose of these valuations was to produce information required by the Government Accounting Standards Board. In conjunction with the valuations, I examined actuarial calculations related to the financial position of each System and its funding requirements. Based upon the data and actuarial assumptions described in the actuarial report of June 30, 1991, it is my opinion that each of the seven retirement systems administered by the Public Employees' Retirement Division is actuarially sound.

Sincerely,

*Alton P. Hendrickson*  
Alton P. Hendrickson, ASA

jw

Enclosure

**STATE OF MONTANA**  
**ACTUARIAL ASSUMPTIONS—ALL SYSTEMS**

**PENSION DISCLOSURE INFORMATION**

**Actuarial Assumptions**

**A. Mortality Rates**

The mortality rates for males and females are based upon the 1983 Group Annuity Mortality Table, and apply to both active members and those receiving benefits.

**B. Disability Rates**

The disability rates for males and females are based on the 1983 Disability Table.

**C. Withdrawal Rates**

The withdrawal rates are based upon the actual experience of the system as determined in the 1987 withdrawal experience study.

**D. Salary Scale**

The rates of salary increases are based upon an assumed compounded growth rate of 6.5% per annum.

**E. Investment Earnings**

It was assumed that the investment earnings would be 8% compounded annually.

**F. Administrative Expenses**

It was assumed that the system would incur no administrative expenses beyond those covered by investment earnings in excess of 8% and the \$1 per member charge for PERS. The supplemental payments for MPORS and FURS are not considered for those valuations.

**G. Termination Benefits**

It was assumed that all members terminating with less than the required years of service would receive an immediate withdrawal of their member contributions with interest, when applicable. It was further assumed that vested members would select the most advantageous benefits under the given assumptions.

**Benefit Obligations and Historical Trend Information**

The pension obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in



**STATE OF MONTANA**  
**ACTUARIAL ASSUMPTIONS—ALL SYSTEMS**

**PENSION DISCLOSURE INFORMATION**  
(continued)

accumulating sufficient assets to pay benefits when due and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of the required actuarial update at June 30, 1991. Significant actuarial assumptions at June 30, 1991 include:

- (a) a rate of return on investments of 8% compounded annually
- (b) projected salary increases of 6.5%.

# COMPARATIVE SUMMARY OF RETIREES

(By Fiscal Year)

|              | PERS   | MPORS | GWRS | SRS | JRS | HPORS | FURS | VFCA | TOTALS |
|--------------|--------|-------|------|-----|-----|-------|------|------|--------|
| <b>FY 82</b> |        |       |      |     |     |       |      |      |        |
| BEGIN BAL    | 6,278  | 327   | 34   | 43  | 14  | 121   | 310  | 245  | 7,372  |
| ADDED        | 716    | 13    | 0    | 3   | 0   | 6     | 14   | 50   | 802    |
| REMOVED      | (261)  | (9)   | 0    | 0   | 0   | (3)   | (7)  | (9)  | (289)  |
| ENDING       | 6,733  | 331   | 34   | 46  | 14  | 124   | 317  | 286  | 7,885  |
| <b>FY 83</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 664    | 12    | 6    | 5   | 7   | 4     | 9    | 51   | 758    |
| REMOVED      | (239)  | 0     | (1)  | (2) | 0   | (2)   | (2)  | (23) | (269)  |
| ENDING       | 7,158  | 343   | 39   | 49  | 21  | 126   | 324  | 314  | 8,374  |
| <b>FY 84</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 603    | 15    | 6    | 3   | 0   | 5     | 17   | 52   | 701    |
| REMOVED      | (193)  | (4)   | (8)  | 0   | (1) | 0     | (3)  | (12) | (221)  |
| ENDING       | 7,568  | 354   | 37   | 52  | 20  | 131   | 338  | 354  | 8,854  |
| <b>FY 85</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 661    | 7     | 3    | 6   | 2   | 5     | 11   | 32   | 727    |
| REMOVED      | (204)  | (2)   | 0    | (3) | (1) | (2)   | (4)  | (9)  | (225)  |
| ENDING       | 8,025  | 359   | 40   | 55  | 21  | 134   | 345  | 377  | 9,356  |
| <b>FY 86</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 586    | 16    | 4    | 7   | 1   | 13    | 19   | 33   | 679    |
| REMOVED      | (205)  | (6)   | 0    | (3) | (1) | (2)   | (7)  | (15) | (239)  |
| ENDING       | 8,406  | 369   | 44   | 59  | 21  | 145   | 357  | 395  | 9,796  |
| <b>FY 87</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 626    | 16    | 2    | 15  | 2   | 10    | 17   | 39   | 727    |
| REMOVED      | (230)  | (4)   | 0    | (2) | (1) | 0     | (9)  | (12) | (258)  |
| ENDING       | 8,802  | 381   | 46   | 72  | 22  | 155   | 365  | 422  | 10,265 |
| <b>FY 88</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 662    | 24    | 4    | 2   | 0   | 9     | 11   | 35   | 747    |
| REMOVED      | (240)  | (5)   | 0    | 0   | (1) | 0     | (11) | (13) | (270)  |
| ENDING       | 9,224  | 400   | 50   | 74  | 21  | 164   | 365  | 444  | 10,742 |
| <b>FY 89</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 713    | 15    | 7    | 5   | 4   | 13    | 14   | 53   | 824    |
| REMOVED      | (285)  | (6)   | (1)  | (1) | 0   | (1)   | (11) | (16) | (321)  |
| ENDING       | 9,652  | 409   | 56   | 78  | 25  | 176   | 368  | 481  | 11,245 |
| <b>FY 90</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 714    | 17    | 3    | 8   | 3   | 8     | 20   | 42   | 815    |
| REMOVED      | (280)  | (4)   | (1)  | (1) | (2) | (2)   | (4)  | (17) | (311)  |
| ENDING       | 10,086 | 422   | 58   | 85  | 26  | 182   | 384  | 506  | 11,749 |
| <b>FY 91</b> |        |       |      |     |     |       |      |      |        |
| ADDED        | 622    | 16    | 1    | 13  | 5   | 11    | 16   | 32   | 716    |
| REMOVED      | (279)  | (9)   | 0    | (5) | 0   | (2)   | (4)  | (17) | (316)  |
| ENDING       | 10,429 | 429   | 59   | 93  | 31  | 191   | 396  | 521  | 12,149 |

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

|                                    |                   |                       |
|------------------------------------|-------------------|-----------------------|
| Inactives:                         |                   |                       |
| Retirees and beneficiaries         | \$483,032,257     |                       |
| Other terminated employees         | <u>23,831,534</u> |                       |
| Total Inactive                     |                   | \$ 506,863,791        |
| Current Employees:                 |                   |                       |
| Accumulated employee contributions | \$312,075,601     |                       |
| Employer financed vested           | 332,690,703       |                       |
| Employer financed non-vested       | <u>22,221,997</u> |                       |
| Total current employees            |                   | \$ <u>666,988,301</u> |
| Total Pension Benefit Obligation   |                   | \$1,173,852,092       |

Net Assets Available for Benefits:

|                                           |                 |
|-------------------------------------------|-----------------|
| Cost                                      | \$ 919,474,377  |
| Market                                    | \$1,036,514,327 |
| Total Unfunded Pension Benefit Obligation | \$ 254,377,715  |
| Covered Payroll                           | \$ 510,361,994. |

Public Employees' Retirement System Trend Information:

|                                                       | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 78.3%       | 76.9%       | 73.1%       |
| Unfunded PBO as % of annual covered payroll           | 49.8%       | 53.1%       | 59.4%       |
| Employer contributions as % of annual covered payroll | 6.42%       | 6.42%       | 6.42%       |

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

Inactives:

|                            |               |               |
|----------------------------|---------------|---------------|
| Retirees and beneficiaries | \$ 41,063,474 |               |
| Other terminated employees | <u>24,366</u> |               |
| Total Inactive             |               | \$ 41,087,840 |

Current Employees:

|                                    |                  |               |
|------------------------------------|------------------|---------------|
| Accumulated employee contributions | \$ 8,254,647     |               |
| Employer financed vested           | 24,411,447       |               |
| Employer financed non-vested       | <u>2,196,949</u> |               |
| Total current employees            |                  | \$ 34,863,043 |

|                                  |  |               |
|----------------------------------|--|---------------|
| Total Pension Benefit Obligation |  | \$ 75,950,883 |
|----------------------------------|--|---------------|

Net Assets Available for Benefits:

|        |               |
|--------|---------------|
| Cost   | \$ 37,702,694 |
| Market | \$ 40,217,308 |

|                                           |               |
|-------------------------------------------|---------------|
| Total Unfunded Pension Benefit Obligation | \$ 38,248,189 |
|-------------------------------------------|---------------|

|                 |               |
|-----------------|---------------|
| Covered Payroll | \$ 12,097,683 |
|-----------------|---------------|

Municipal Police Officers' Retirement System Trend Information:

|                                                          | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|----------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for<br>benefits as % of PBO         | 49.6%       | 49.4%       | 47.8%       |
| Unfunded PBO as % of annual<br>covered payroll           | 316.2%      | 339.8%      | 350.3%      |
| Employer contributions as % of<br>annual covered payroll | 13.02%      | 13.02%      | 13.02%      |

**STATE OF MONTANA**  
**GAME WARDENS' RETIREMENT SYSTEM**  
**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

|                                    |                |                     |
|------------------------------------|----------------|---------------------|
| Inactives:                         |                |                     |
| Retirees and beneficiaries         | \$ 6,822,507   |                     |
| Other terminated employees         | <u>3,807</u>   |                     |
| Total Inactive                     |                | \$ 6,826,314        |
| Current Employees:                 |                |                     |
| Accumulated employee contributions | \$ 2,932,068   |                     |
| Employer financed vested           | 3,592,391      |                     |
| Employer financed non-vested       | <u>107,692</u> |                     |
| Total current employees            |                | \$ <u>6,632,153</u> |
| Total Pension Benefit Obligation   |                | \$ 13,458,467       |

Net Assets Available for Benefits:

|                                           |               |
|-------------------------------------------|---------------|
| Cost                                      | \$ 11,692,555 |
| Market                                    | \$ 12,943,287 |
| Total Unfunded Pension Benefit Obligation | \$ 1,765,912  |

|                 |              |
|-----------------|--------------|
| Covered Payroll | \$ 2,368,363 |
|-----------------|--------------|

Game Wardens' Retirement System Trend Information:

|                                                       | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 86.9%       | 83.9%       | 82.2%       |
| Unfunded PBO as % of annual covered payroll           | 74.6%       | 92.3%       | 95.6%       |
| Employer contributions as % of annual covered payroll | 7.15%       | 7.15%       | 7.15%       |

**STATE OF MONTANA**  
**SHERIFFS' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

|                                    |                  |  |                      |
|------------------------------------|------------------|--|----------------------|
| Inactives:                         |                  |  |                      |
| Retirees and beneficiaries         | \$ 7,432,629     |  |                      |
| Other terminated employees         | <u>632,321</u>   |  |                      |
| Total Inactive                     |                  |  | \$ 8,064,950         |
| Current Employees:                 |                  |  |                      |
| Accumulated employee contributions | \$ 8,741,785     |  |                      |
| Employer financed vested           | 8,456,882        |  |                      |
| Employer financed non-vested       | <u>1,522,182</u> |  |                      |
| Total current employees            |                  |  | \$ <u>18,720,849</u> |
| Total Pension Benefit Obligation   |                  |  | \$ 26,785,799        |

Net Assets Available for Benefits:

|                                           |                 |
|-------------------------------------------|-----------------|
| Cost                                      | \$ 36,738,622   |
| Market                                    | \$ 39,348,528   |
| Total Unfunded Pension Benefit Obligation | \$ ( 9,952,823) |
| Covered Payroll                           | \$ 11,590,002   |

Sheriffs' Retirement System Trend Information:

|                                                       | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 137.2%      | 138.6%      | 142.4%      |
| Unfunded PBO as % of annual covered payroll           | (85.9)%     | (77.8)%     | (76.4)%     |
| Employer contributions as % of annual covered payroll | 7.67%       | 7.67%       | 7.67%       |

**STATE OF MONTANA**  
**JUDGES' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

|                                    |                  |                      |
|------------------------------------|------------------|----------------------|
| Inactives:                         |                  |                      |
| Retirees and beneficiaries         | \$ 9,108,730     |                      |
| Other terminated employees         | <u>1,397,990</u> |                      |
| Total Inactive                     |                  | \$10,506,720         |
| Current Employees:                 |                  |                      |
| Accumulated employee contributions | \$ 1,601,802     |                      |
| Employer financed vested           | 7,527,432        |                      |
| Employer financed non-vested       | <u>1,118,076</u> |                      |
| Total current employees            |                  | \$ <u>10,247,310</u> |
| Total Pension Benefit Obligation   |                  | \$20,754,030         |

Net Assets Available for Benefits:

|                                           |              |
|-------------------------------------------|--------------|
| Cost                                      | \$14,427,350 |
| Market                                    | \$15,782,336 |
| Total Unfunded Pension Benefit Obligation | \$ 6,326,680 |
| Covered Payroll                           | \$ 2,409,507 |

Judges' Retirement System Trend Information:

|                                                       | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 69.5%       | 71.7%       | 71.5%       |
| Unfunded PBO as % of annual covered payroll           | 262.6%      | 231.9%      | 222.3%      |
| Employer contributions as % of annual covered payroll | 6.0%        | 6.0%        | 6.0%        |

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

|                                    |                |                      |
|------------------------------------|----------------|----------------------|
| Inactives:                         |                |                      |
| Retirees and beneficiaries         | \$ 26,067,226  |                      |
| Other terminated employees         | <u>128,843</u> |                      |
| Total Inactive                     |                | \$ 26,196,069        |
| Current Employees:                 |                |                      |
| Accumulated employee contributions | \$ 6,091,782   |                      |
| Employer financed vested           | 19,790,262     |                      |
| Employer financed non-vested       | <u>881,074</u> |                      |
| Total current employees            |                | \$ <u>26,763,118</u> |
| Total Pension Benefit Obligation   |                | \$ 52,959,187        |

Net Assets Available for Benefits:

|                                           |               |
|-------------------------------------------|---------------|
| Cost                                      | \$ 28,191,990 |
| Market                                    | \$ 30,512,107 |
| Total Unfunded Pension Benefit Obligation | \$ 24,767,197 |

|                 |              |
|-----------------|--------------|
| Covered Payroll | \$ 5,193,301 |
|-----------------|--------------|

Highway Patrol Officers' Retirement System Trend Information:

|                                                       | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 53.2%       | 56.1%       | 53.5%       |
| Unfunded PBO as % of annual covered payroll           | 476.9%      | 387.2%      | 411.5%      |
| Employer contributions as % of annual covered payroll | 17.40%      | 17.21%      | 18.23%      |



**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**  
**PENSION DISCLOSURE INFORMATION**

Actuarial Present Value of Projected Benefits:

|                                    |                   |                      |
|------------------------------------|-------------------|----------------------|
| Inactives:                         |                   |                      |
| Retirees and beneficiaries         | \$ 45,508,735     |                      |
| Other terminated employees         | <u>647,186</u>    |                      |
| Total Inactive                     |                   | \$ 46,155,921        |
| Current Employees:                 |                   |                      |
| Accumulated employee contributions | \$ 8,902,326      |                      |
| Employer financed vested           | 16,578,243        |                      |
| Employer financed non-vested       | <u>22,107,078</u> |                      |
| Total current employees            |                   | \$ <u>47,587,647</u> |
| Total Pension Benefit Obligation   |                   | \$ 93,743,568        |

Net Assets Available for Benefits:

|                                           |               |
|-------------------------------------------|---------------|
| Cost                                      | \$ 38,237,828 |
| Market                                    | \$ 39,807,206 |
| Total Unfunded Pension Benefit Obligation | \$ 55,505,740 |
| Covered Payroll                           | \$ 10,286,967 |

Firefighters' Unified Retirement System Trend Information:

|                                                       | <u>1991</u> | <u>1990</u> | <u>1989</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 40.8%       | 37.4%       | 34.1%       |
| Unfunded PBO as % of annual covered payroll           | 539.6%      | 573.1%      | 601.9%      |
| Employer contributions as % of annual covered payroll | 13.02%      | 13.02%      | 13.02%      |





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